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IV SEMESTER

MBA (Marketing Management)
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Paper code-PMMT17

Retail Management

MADURAI KAMARAJ UNIVERSITY
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 6. Dunne, Retailing, Cengage Learning, 2nd Edition, 2008.
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RETAIL MANAGEMENT

Course Objective

The objective of this course is to help students to understand the significance and the functional framework of retail management. It aims to provide conceptual understanding and practical exposure to the students.

UNIT - I

An overview of Global Retailing - Challenges and Opportunities - Retail trends in India - Socio-economic and technological Influence on retail management - Government policy implications on retailing.

UNIT - II

Organized and unorganized formats - Types of retail format - Characteristics of each format - Emerging trends in retail format - MNC's role in organized retail format.

UNIT - III

Choice of retail location - Internal and External atmospherics - Positioning of retail shops - Building retail store Image - Retail service quality management - Retail Supply Chain Management - Retail Pricing Decisions.

UNIT - IV

Visual Merchandise Management - Space Management - Retail Inventory Management - Retail accounting and audit - Retail store brands - Retail advertising and promotions - Retail Management Information System - Online retail - Emerging trends.

UNIT - V

Understanding of Retail shopper behaviour - Shopper Profile Analysis - Shopping Decision Process - Factors influencing retail shopper behaviour - Complaints Management - Retail sales force Management - Challenges in Retailing in India.

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1. Michael Havy, Baston, Aweitz and Ajay Pandit, Retail Management, Tata McGraw Hill, Sixth Edition, 2007.
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Syllabus

UNIT I: Entrepreneurship Concept - Entrepreneurship as a Career
Entrepreneurial Personality - Characteristics of Successful Entrepreneur
Knowledge and Skills of Entrepreneur

CONTENTS

UNIT II: Business Environment - Government Policies and Regulations - Entrepreneurship Development Training and Other Support Organizational Services - Central and State Government Industrial Policies and Regulations - International Business

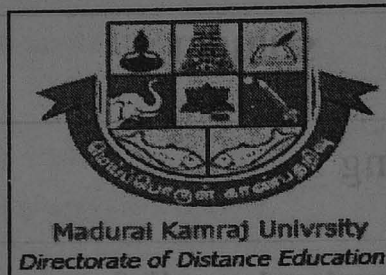
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2	Organized and Unorganized retail formats	22
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5	Shopper profile and their behavior	128

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1. Hisrich, Entrepreneurship, Tata McGraw Hill, New Delhi, 2001.
2. Khanna S.S., Entrepreneurial Development, S.Chand and Company Limited.
3. Mathew Mahimela, Entrepreneurship Theory at the Crossroads, Paradigms & Praxis, Bizaranira, 2nd Edition, 2005

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RETAIL MANAGEMENT

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Syllabus

UNIT I: Entrepreneurship concept – Entrepreneurship as a Career – Entrepreneurial Personality - Characteristics of Successful, Entrepreneur – Knowledge and Skills of Entrepreneur.

UNIT II: Business Environment - Role of Family and Society - Entrepreneurship Development Training and Other Support Organisational Services - Central and State Government Industrial Policies and Regulations - International Business.

UNIT III : Business Idea- Idea generating Techniques- Sources of Product for Business - Prefeasibility Study - Criteria for Selection of Product - Ownership - Capital - Budgeting Project Profile Preparation - Matching Entrepreneur with the Project - Feasibility Report Preparation and Evaluation Criteria- Venture Creation.

UNIT IV: Finance and Human Resource Mobilization Operations Planning - Market and Channel Selection - Growth Strategies - Product Launching- Role of Venture Capitalists and Angel Investors in promoting entrepreneurship.

UNIT V: Monitoring and Evaluation of Business - Preventing Sickness and Rehabilitation of Business Units- Effective Management of small Business.

BOOKS FOR REFERENCE

1. Hisrich, Entrepreneurship, Tata McGraw Hill, New Delhi, 2001.
2. Khanka S.S., Entrepreneurial Development, S.Chand and Company Limited
3. Mathew Manimala, Entrepreneurship Theory at the Crossroads, Paradigms & Praxis, Biztrantra ,2nd Edition ,2005

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UNIT- I

RETAIL MANAGEMENT

Structure

- 1.1 An introduction to Retailing
- 1.2 Unit Objectives
- 1.3 An overview of global Retailing
- 1.4 Challenges and Opportunities of Retailing
- 1.5 Retail Trends in India
- 1.6 Various influences on Retail Management
- 1.7 Government Policy implications on Retailing
- 1.8 Case study
- 1.9 Summary
- 1.10 Answer to Check Your Progress
- 1.11 Questions / Exercises
- 1.12 Further Readings

1.1 INTRODUCTION TO RETAILING

The word 'Retail' is derived from a French word with the prefix re and the verb tailer meaning "to cut again". Evidently, retail trade is one that cuts off smaller portions from large lumps of goods. It is a process through which goods are transported to final consumers. In other words, retailing consists of the activities involved in selling directly to the ultimate consumer for personal, non-business use. It embraces the direct-to-customer sales activities of the producer, whether through his own stores by house-to-house canvassing or by mail-order business.

Manufacturers engage in retailing when they make direct-to-consumer sales of their products through their own stores by door-to-door canvass or mail order or even on telephone. Even a wholesaler engages in retailing when sells directly to an ultimate consumer, although his main business may still be wholesaling.

A retailer is a merchant or occasionally an agent or a business enterprise, whose main business is selling directly to ultimate consumers for non-business use. He performs many marketing activities such as buying, selling, grading, risk-trading, and developing information about customer's wants. A retailer may sell infrequently to industrial users, but these are wholesale transactions, not retail sales. If over one half of the amount of volume of business comes from sales to ultimate consumers, i.e. sales at retail, he is classified as a retailer. Retailing occurs in all marketing channels for consumer products.

1.2 UNIT OBJECTIVES

After reading this unit, the learner would be able to understand the basic concepts of retailing and global retailing, its challenges and opportunities and its recent trends. The learner also knows the factors influencing the retail environment and the impact of government policy implication on retailing.

1.1.1 Reasons for the rise of the retailer

In the recent past, Manufacturers created a product, advertised it slickly and sold it through their distribution channel. The manufacturing companies enjoyed economic power as they were significantly bigger in size as compared to the distributors or the retailers. They determined the prices, the product that the retailer could stock and also dealer and distributor margins. They would also independently advertise for their products. However much has changed today, the retail has emerged as a separate function by itself. The environment in a large organized retail store is significantly different from that of traditional or a Mom & Pop store. The reasons for the rise of retailers are as follows:

1. Proximity to the customer:

Today, with the emergence of large super markets, hyper-markets and various other formats like the departmental stores, the retailer is the closest to the consumer. The retailer is the first contact point that the consumer has with the product, and this fact given the retailer tremendous power.

2. Rise of consumerism:

The retailer faces a more knowledgeable and demanding consumers often have forced retail organizations to change their formats and product offerings. The customer demands convenience and certain level of comfort while shopping. Time required to shop and to travel to a particular location are important factors that affect the consumer's decision. For example, the petrol bulk not only retail petrol and diesel but also has a speed mart and an ATM.

3. Introduction to the private label:

The retailers decide on the brands that they want to stock. Another significant change is that most of the retail stores have developed their own in-store brands/products known as private labels. These private labels cater specifically to the needs of their target customers.

4. Technology:

With the increasing use of technology and the use of the point of sale scanning systems and bar code, a wealth of information is now available to the retailer. This information enables the retailer to understand the consumer profile of his store, the products purchased, the price ranges and the promotional offers which have worked.

Innovative retailer can now offer their products and services on the Internet. Today a large number of retail organizations across the world, share information with their

manufacturer and suppliers that the right product is available to the consumer at the right place and time.

1.1.2 The Retailer within the Distribution Channel

From a traditional marketing viewpoint, the retailer is one of many possible organizations through which goods produced by the manufacturer flow on their way to their consumer destiny. These organizations perform various roles by being a member of a distribution channel. For example, a chocolate producer like Cadbury's will use a number of distribution channels for its confectionery, which involves members such as agents, wholesalers, supermarkets, convenience stores, petrol stations, vending machine operators and so on. Channel members, or marketing intermediaries as they are sometimes referred to, take on activities that a manufacturer does not have the resources to perform, such as displaying the product alongside related or alternative items in a location that is convenient for a consumer to access during shopping.

Intermediaries facilitate the distribution process by providing points where deliveries of merchandise are altered in their physical state (such as being broken down into smaller quantities, or being repackaged) and are made available to customers in convenient or cost-effective locations.

Over time, and particularly since the laws that allowed manufacturers to set prices were abolished, retailers have become more dominant in the distribution channel. Their passive distributor status has been transformed into a more aggressive one, using price as a competitive weapon, introducing ranges of own-branded goods (private labels) and developing shopping environments that engender loyalty to an outlet rather than loyalty to a product. This shift in power from the manufacturer to the retailer has been further enhanced by information technology that has enabled retailers to gain a greater understanding of their customers' purchasing patterns and preferences.

Today, retailers place a lot of emphasis on customer service which is defined as the "sum of acts and elements that allow consumers to receive what they need or desire from your retail establishment".

1.1.3 Services Provided by the Retailer

GENERAL SERVICES:

The general services which a retailer provides are:

1. The retailer anticipates the wants of the consumers and then supplies them the right kind of goods at reasonable price. His job is to make the consumers buying as easy and convenient as possible i.e. he acts as a consumers' agent.
2. He performs the service of bulk-breaking i.e. dividing large quantities into small units, such as individual cans, bottles, boxes, wrappers, packages, appropriate for consumer use.
3. He offers a large assortment of merchandise, of suitable size, colour, design, style and seasonal items-ranging from domestic utensils, household requisites to specialty goods.

4. He creates time and place utility by storing the products in off season and by transporting these goods to the places where they can be readily available as and when needed by the consumer.
5. He also assumes risks by guaranteeing the goods he sells to the consumer.
6. He also offers free delivery of goods, credit on open accounts, free alteration, liberal exchange facilities, and instructions in the use of goods, revolving credit plans, and long term installment programmes.
7. He adds to the convenience and ease of consumer purchasing by offering convenient shopping locations, market information's and other services such as free parking privileges, lessons on product use and a multitude of other facilities may be offered and found sufficiently desired to result in increased patronage.
8. He helps the producers in distributing their products by using advertisement display and personal selling.
9. The level of retail sales is one of the most useful barometers of the nations economic health. For example when sales of cycles pick-up, sales of steel and components also increase, as does employment and thus increasing purchasing power. But when sales go down, manufacturers cut back production, unemployment increases and retail sales also goes down.

Facilitating Services:

In order to carry out functions involving transfer of ownership and physical supply effectively retailers perform a number of facilitating functions i.e. functions relating to standardization and grading, financing, risk-taking and market information.

A retailer of fresh fruits and vegetables has to standardize and grade these to make these acceptable to customers. They establish standards, inspect goods they receive, and sort them in various classifications.

Quite often they purchase in large quantities and then divide them and repack them before selling. When the retailer sells goods on credit he performs finance function. From the moment he sells and collects the last rupee from the customer, when goods are sold on credit, he is said to be performing a financing function.

Another function performed by retailers is that of risk-taking. During the entire time a retailer holds title to particular goods, he must inevitably bear a wide variety of risks. Not only the goods may be destroyed through fire or flood, but also, there is often the danger of theft, deterioration or spoilage.

Furthermore, such merchants are also faced with the threat that consumers will not accept their product or will purchase them only at unprofitable prices. He also undertakes risk in handling of fashion goods and other items for which consumer demand varies greatly from time to time.

Since the retailer knows about the wishes of his customers the price, quality and the kind of merchandise available in the market as well as the existing and anticipated style trends, he keeps in stock the goods usually required by customers.

1.3 AN OVERVIEW OF GLOBAL RETAILING

Retailing is increasingly a global business. A more structured retail industry with more multiple retailers (those with more than one outlet) is a sign that an economy is developing, as organizations specialize and gain economies of scale. Additionally, when disposable incomes rise, retailers play an active part in distributing increasingly discretionary goods to centers of population. Emerging markets are a real (although highly complex) opportunity for experienced retailers, especially if they are faced with high levels of retail provision and therefore competition in their traditional markets.

As the artificial barriers to trade, such as import duty and quota restrictions, are removed from the global economy, many retailers will view the world as their marketplace and make sourcing and outlet operation decisions on a set of criteria that are relevant across the globe. Some of the strongest global retailers are, such as Wal-Mart, IKEA, Marks and Spencer's, Big Bazaar and some modern age retailers are having considerable success on a global basis, such as Tesco, B&Q, and Carrefour etc.

However, long distances, political and cultural complexities are huge challenges to retailers, which can only be overcome by the strongest contenders.

Retailing has played a major role in increasing productivity across a wide range of consumer goods and services the world over. In the developed countries, retail industry has transformed into a full-fledged industry where more than three-fourths of the total retail trade is done by the organized sector. Though India boasts of an emerging retail market with top international retailers like Wal-Mart and Carrefour keen to establish their presence, it does not figure on the list of top 10 most preferred global retail markets. Out of the BRIC (Brazil, Russia, India and China) countries, China and Russia are in the top 10 list. But in terms of investment in emerging markets, India tops the list according to a report of AT Kearney.

Following are the characteristics of global retail industry:

1. The global rated retail universe is very diverse, covering a large number of segments
2. Global retail industry exhibits very diverse operational and financial dynamics
3. Of the global retail industry, 38% of publicly-rated retailers is investment grade and 62% is speculative trade.

The global retail industry has been growing at a brisk pace during the last few decades. Retail sales through modern formats have been rising faster than total retail sales; the share of modern retail has risen from about 45 per cent in 1996 to over 52 per cent in 2006. However the spread of organized retailing in different countries varies depending upon the socio-economic factors related to the country. In the developed

economies, organized retail is in the range of 75-80 per cent of total retail, whereas in developing economies, the unorganized sector dominates the retail business. The share of organized retail varies widely from just 1.00 per cent in Pakistan and 4.00 per cent in India to 36.00 per cent in Brazil and 55.00 per cent in Malaysia. Modern retail formats, such as hypermarkets, superstores, supermarkets, discount and convenience stores are widely present in the developed world, whereas such forms of retail outlets have only just begun to spread to developing countries in recent years. In developing countries, the retailing business continues to be dominated by family-run neighbourhood shops and open markets.

The arrival of modern retail in developing countries occurred in three successive waves. The first wave took place in the early to mid-1990s in South America (e.g., Argentina, Brazil, and Chile), East Asia outside China (South Korea, Malaysia, Philippines, Thailand, and Taiwan), North-Central Europe (e.g. Poland, Hungary, and Czech Republic) and South Africa. The second wave happened during the mid to late 1990s in Mexico, Central America (e.g., Ecuador, Colombia, and Guatemala), Southeast Asian countries (e.g., Indonesia), Southern-Central Europe (e.g., Bulgaria). The third wave began in the late 1990s and early 2000s in parts of Africa (e.g., Kenya), some countries in Central and South America (e.g., Nicaragua, Peru, and Bolivia), Southeast Asia (e.g., Vietnam), China, India, and Russia. Thus, the third wave countries which include China, India and Russia are late comers in the diffusion of modern retail.

1.2.1 Different Retail Formats across the World

Across the world retailer is involved in more than one format to operate in different circumstances to cater to its consumers. Different types of retail formats across the world are:

Mom-and-Pop – Represent the small, individually owned and operated retail outlet. In many cases these are family-run businesses catering to the local community.

Mass Discounters - These retailers can be either general or specialty merchandisers but either way, their main focus is on offering discount pricing. Compared to department stores, mass discounters offer fewer services and lower quality products.

Warehouse Stores – This is a form of mass discounter that often provides even lower prices than traditional mass discounters. In addition, they often require buyers to make purchases in quantities that are greater than what can be purchased at mass discount stores. These retail outlets provide few services, and product selection can be limited.

Furthermore, the retail design and layout is, as the name suggests, warehouse styled, with consumers often selecting products off the ground from the shipping package. Some forms of warehouse stores, called warehouse clubs, require customers to purchase memberships in order to gain access to the outlet.

Category Killers – Many major retail chains have taken what were previously very narrowly focused, small specialty store concepts and have expanded them to create large specialty stores. These so-called “category killers” have been found in such specialty areas as electronics (e.g. Best Buy), office supplies (e.g. Staples) and sporting goods (e.g. Sport Authority).

Department Stores – These retailers are general merchandisers offering mid-to-high quality products and strong level of services, though in most cases these retailers would not fall into the full-service category. While department stores are classified as general merchandisers, some carry a more selective product line. For instance, while Sears carries a wide range of products from hardware to cosmetics, Nordstrom’s focuses its products on clothing and personal care products.

Boutique – This retail format is best represented by small store carrying specialized and often high-end merchandise. In many cases a boutique is a full-service retailer following a full-pricing strategy. It is individually managed and specialized retail format.

Catalogue Retailers – Retailers such as Lands’ End and LL Bean have built their business by having customers place orders after seeing products that appear in a mailed catalogue. Orders are then delivered by a third-party shipper.

E-tailers - Possibly the most publicized retail model to evolve in the last 50 years is the retailer that principally sells via the Internet. There are thousands of online-only retail sellers of which Amazon.com is the most famous. These retailers offer shopping convenience including being open for business all day, every day. Electronic retailers or e-tailers also have the ability to offer a wide selection of product since all they really need in order to attract orders is a picture and description of the product. That is, they may not need to have the product on-hand the way physical stores do. Instead an e-tailer can wait until an order is received from his customers before placing the order with the suppliers. This cuts down significantly on the cost of maintaining products in-stock.

Franchise – A franchise is a form of contractual channel in which one party, the franchisor, controls the business activities of another party, the franchisee. Under these arrangements, an eligible franchisee agrees to pay for the right to use the franchisor’s business methods and other important business aspects, such as the franchise name.

For instance, McDonalds is a well-known franchisor that allows individuals to use the McDonalds name and methods to deliver food to consumers. Payment is usually in the form of a one-time, upfront franchise fee and also on-going percentage of revenue. While the cost to the franchisee may be quite high, this form of retailing offers several advantages including:

1. Allowing the franchisee to open a retail outlet that may already be known to local customers, and
2. Being trained in operating the business which may allow the franchisee to be successful much faster than if they attempted to start a business on their own.

Convenience – As the name implies these general merchandise retailers cater to offering customers an easy purchase experience. Convenience is offered in many ways including through easily accessible store locations, small store size that allows for quick shopping, and fast checkout. The product selection offered by these retailers is very limited and pricing can be high.

Vending – This category includes automated methods for allowing consumers to make purchases and quickly acquire products. While most consumers are well aware of vending machines allowing customers to purchase smaller items, such as beverages and snack food, newer devices are entering the market containing more expensive and bulkier products. These systems require the vending machine have either Internet or telecommunications access to permit purchase using credit cards.

1.2.2 World's top ten retail giants

1. Wal-Mart (United States)

The world's largest retail company, Wal-Mart was founded by Sam Walton in 1962 and it was incorporated on October 31, 1969, Wal-Mart has 8,500 stores in 15 countries. In the year 2010, Wal-Mart's sale was \$405.04 billion.



2. Carrefour (France)

Carrefour S.A. headquartered in Levallois-Perret, France opened on January 1, 1958, in suburban Annecy. The group was built by Marcel Fournier, Denis Defforey and Jacques Defforey. In 1995 it merged with Promodes, known as Continent, one of its major competitors in the French market. In the year 2010, Carrefour's sale was \$119.88 billion.



3. **Metro (Germany)**

Founded in 1964, Metro AG is a diversified retail and wholesale/cash and carry group based in Dusseldorf, Germany. It has the largest market share in its home market. Sales in 2010: \$90.85 billion.

4. **Tesco (United Kingdom)**

Tesco plc is a global grocery and general merchandise retailer headquartered in Cheshunt, United Kingdom. Founded in 1919, it has stores in 14 countries across Asia, Europe and North America. Sales in 2010: \$90.43 bn

5. **Lidl Stiftung & Co (Germany)**

Founded in the 1930s by a member of the Schwarz family, Lidl stores are present across 20 countries in Europe. Sales in 2010: \$77.22 bn.

6. **The Kroger Co (US)**

Founded in 1883, The Kroger Co is an American supermarket chain founded by Bernard Kroger in 1883 in Cincinnati, Ohio. As of 2010, Kroger has 3,619 stores. Sales in 2010: \$76.73 bn.

7. **Costco (US)**

Costco Wholesale Corporation is the largest membership warehouse club chain in the United States. Costco is also one of the largest retailers of fine wine. Sales in 2010: \$69.88 bn.

8. **Aldi (Germany)**

Albrecht Discount (ALdi), is a discount supermarket chain based in Germany started by brothers Karl Albrecht and Theo Albrecht. Sales in 2010: \$67.70 bn.

9. **Home Depot (United States)**

The Home Depot is an American retailer of home improvement and construction products and services. It has stores in 2,248 locations. Sales in 2010: \$66.17 bn.

10. Target Corp (United States)

Founded in 1902 as Dayton Dry Goods, Target Corporation is an American retailing company headquartered in Minneapolis, Minnesota. It is the second-largest discount retailer in the United States, after Wal-Mart. Sales in 2010: \$63.43 bn.

1.4 CHALLENGES AND OPPORTUNITIES OF RETAILING

The retailers are facing new challenges, as the demographic characteristics of customers are changing. Changes in population, the composition of households, age, income, and ethnicity must be understood in relation to changes in shopping behaviour and expenditures.

Changing Households

As households become smaller and number of wage earners increase, the percentage of income used for housing and transportation will continue to limit the amount available for nonautomotive retail. Many households are spending less time shopping. Accordingly, time-saving, convenience goods and services present opportunities for retailers. When people shop, they want to know that the store is open and that they have what they want. As households have fewer children, they are less likely to shop at the family department store that was once found downtown. An estimated 80% of all shopping are done by women. This suggests that retailers should examine the mix of products and services that will attract women shoppers.

Changing Income

Higher income households will continue to be a primary target for many retailers. These consumers spend 63% more than the average household on food and account for more than half of all spending on products such as men's apparel and household maintenance supplies and equipment. The pressure to develop retail closer to higher income suburban households will continue to require people to "shop with their wheels." Today's consumer wants "park by the door and see the open sign." Given historic trends, both the lower-income and upper-income segments of the population will provide greater market opportunities than the traditional middle income segment of the population.

Aging Population

The boomers represent a vast, relatively affluent and expanding market. Retailers should recognise that they have reached an age when they have less to spend on retail goods and more on housing, education and health. Buying behaviours of different age segments are changing. Just because a 40-year-old today will be 50 in ten years doesn't mean that he or she will be buying like today's 50-year-olds. Increasing proportion of infant and child products today are now being purchased by grandparents.

Buying Decisions

Precisely speaking about the buying decision process, it consists of the following steps, which is usually followed:

1. Need of Recognition
2. Information that satisfies the need of the customer
3. Alternatives/ Substitutes
4. Decision making on buying
5. Post behaviour after the purchase

In the retail industry, understanding the retail customers plays an important role in the success of a retail store. The development of technology and globalisation has led to a new era of consumerism where retailers focus completely on meeting the needs, wants and priorities of the consumer. To understand the nature of the retail market, a retailer should analyse various factors like population, demography, and the geography of a particular area. Population analysis helps the retailer to understand potential markets. Retail buyers face daily decisions about which new products and lines to carry, especially in fast-changing segments such as apparel and consumer electronics. Merchandising professionals often rely on their instincts and experience to make choices that can define a retailer's identity and competitive advantage in the marketplace.

1.5 RETAIL TRENDS IN INDIA

Dose of reforms in India have been changed the entire economy of super power house of Asia. India is a sleeping lion in Asia.. India was actually the world's largest economy accounting for 22.6% of world income, second only to china. India and china are the two demographic giants of the planet. Together they count close to 250 crores of inhabitants, representing more than 37% of the world population. They are about to become economic giants and are shaking traditional power relations in the global arena India has the second largest population of able-bodied men and women in the world. India is a market consists with huge potential power hold by middle class families. India's middle class family i~ emerging as market dictators because of the new economic policies of the government.

The retail landscape in India has undergone tremendous change. Historically, a large part of retail was in the unorganized sector. But over the years there has been a distinct movement towards the organized way of retailing (as evinced in most dynamic and emerging sectors worldwide) with several players having entered the fray. As this is an industry that requires heavy initial investments in infrastructure, supply chain, technologies and inventories, and breakeven has a longer gestation period, most players have not yet seen profitability. But the future does seem to be promising.

The markets are growing because India has a large youthful working population with a median age of 24 years. In urban areas, most families are nuclear and the percentage of working women has increased. Furthermore, economic and regulatory policies are becoming more favourable for the retail industry. India's booming IT sector is also creating technological innovation for facilitating operations in this sector. Modern retail has captured

the imagination of Indians as cable/satellite television, through their lifestyle channels, have ignited the passion for modern retail. This has further been fuelled by real estate companies developing huge malls, large sprawling shopping centers and huge complexes which offer almost all kinds of entertainment and shopping and dining experiences under one roof.

In fact, customer buying behaviour of the new generation of Indians has altered the complexion of shopping in terms of formats and experience. Retail in India is today at an inflexion point where growth of organized retailing is coupled with growth in consumption. These twin rockets are propelling the growth of the industry to hitherto unattained orbits. But one should be realistic about this growth story. It is important to learn from the experience of developed markets like the US and other G8 countries and re-look at structural issues such as:

- i) Consumer behaviour
- ii) Physical infrastructure
- iii) Existence of efficient supply chain mechanism
- iv) Trained manpower
- v) Technological changes
- vi) Societal impacts

Careful calibration of these parameters can help guide the future of retail in India.

1.5.1 Factors Underlying Trends of Modern Retail in India

The Indian retail environment has been witnessing several changes on the demand side due to increased per capital income, changing lifestyle and increased product availability. In developed markets, there has been a power shift with power moving from manufactures towards the retailers. The strategies used by retailers to wrest power include the development of retailers own brands and the introduction of slotting allowances which necessitate payments by manufactures to retailers for providing shelf space for new products. The recent increased power of retailers has led to the introduction of new tactics by manufactures such as everyday low pricing, partnership with retailers and increased use of direct marketing methods. The driving forces towards that trend can be broadly classified into the following categories.

- i) Economic development
- ii) Improvements in civic situation
- iii) Changes in government policies
- iv) Changes in consumer needs, attitudes and behavior
- v) Increased investment in retailing
- vi) Rise in power of organized retail.

The development of the Indian economy is a necessary condition for the development of the Indian retail sector. The growth of the economy can provide gainful

employment to those who would otherwise enter retailing in areas like roadside vending and other similar low cost entries into the retail sector. The growth of modern retail is linked to consumer needs, attitudes and behavior. Marketing channels including retailing emerge because they receive impetus from both the supply side and the demand side. On the demand side, the marketing channel provides service outputs that consumer's value.

In Indian retailing, convenience and merchandise appear to be the most important factors influencing store choice, although ambience and service are also becoming important in some contexts. Store ambience includes such as lighting, cleanliness, store layout and space for movement.

The government of India has clarified on a number of occasions that foreign direct investment will not be permitted in India in the retailing sector. Major international retailer organizations are waiting for signals of policy change especially in the wake of Chinese permission for foreign investment in its retail. In opening up the retail sector, the government may consider various approaches such as insisting on joint ventures, limiting the foreign stake, or specifying the cities where investment is permitted.

Although FDI is not yet permitted in retailing, a number of global retailers are testing the waters by signing technical agreements and franchises with Indian firms. Fast food chains like McDonald's and Pizza Hut are already operating in the metros. A Marks and Spencer Store is already operational in Mumbai. Recent trends show that industrial groups such as Reliance and Raymond's have been active in encouraging development of well-appointed exclusive showrooms for their textile brands. Industrial houses like Rahejas, Tata's have entered retailing. Several Indian and foreign brands have used franchising to establish exclusive outlet for their brands.

1.6 SOCIO-ECONOMIC AND TECHNOLOGICAL INFLUENCE ON RETAIL MANAGEMENT

1.6.1 Socio-economic Environment:

In recent years, the concept of social responsibility has entered into the marketing literature as an alternative to the marketing concept. The implication of socially responsible marketing is that retail firms should take the lead in eliminating socially harmful products such as cigarettes and other harmful drugs etc. There are innumerable pressure groups such as consumer activists, social workers, mass media, professional groups and others who impose restrictions on marketing process and its impact may be felt by retailers in doing their business. The society that people grow up in shapes their basic beliefs, values and norms. People live in different parts of the country may have different cultural values - which has to be analysed by retail business people/firm. This will help them to reorient their strategy to fulfill the demands of their consumers.

The nature of the economic system (Capitalism, Socialism) in a country has a direct impact on the retailer's business. Therefore a retailer should have a thorough understanding of the various economic factors of a country that would influence their

operations and profitability. Some of the economic factors that affect the retailer are – Gross domestic product, rate of inflation, purchasing power, interest rates, tax levels, employment growth etc. Higher growth rate of GDP implies that consumers have more income and hence, they spend more, resulting in higher sales and more profits for retailers. On the other hand, increase in inflation leads to a decrease in the purchasing power of consumers. The economic reforms of the 1990's have resulted in a higher economic growth than that observed in the previous decade.

1.6.2 Technological Environment:

Technology is one of the most important drivers of change in the retail industry. The computerization of various retail store operations like inventory management, billing, data base management and the wide spread use of bar code scanners, computers, point of sale terminals, management information systems etc., have brought a sea change in the way of retailing is conducted in India.

Retailers are also using technology to improve the shopping environment and to provide a pleasant shopping experience to the customer. Quick response computer links with suppliers are increasingly being used to reduce lead time and overcome stock-out problems.

1.6.2.1 Bar Coding and Scanners

Bar coding and scanners are used to identify an item at the Point of Sale (POS). The Universal Product Code (UPC) is a black and white bar code which is used to collect Sales information using computer terminals that read (or scan) the code. The pre-stored data is used to calculate the cost and generate the total bill for the customer. This information can also be transmitted from computer to computer, to buyers, distribution centers and then to vendors who in turn, quickly replenish the merchandise.

CHECK YOUR PROGRESS

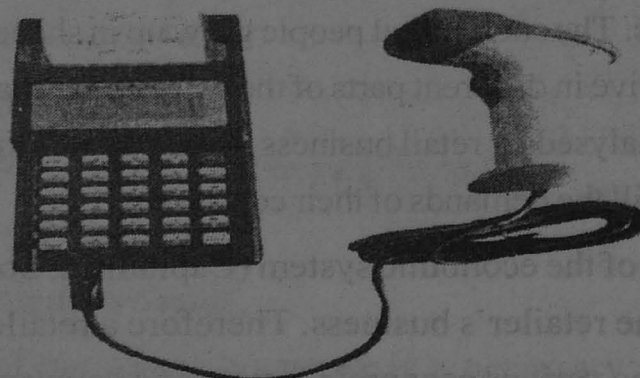
WAL-MART IS
FOUNDED BY

FDI Means

The French word
retailer means

What is POS?

Carrefour S.A.
headquarter is
located in _____



16.2.2 Credit Cards

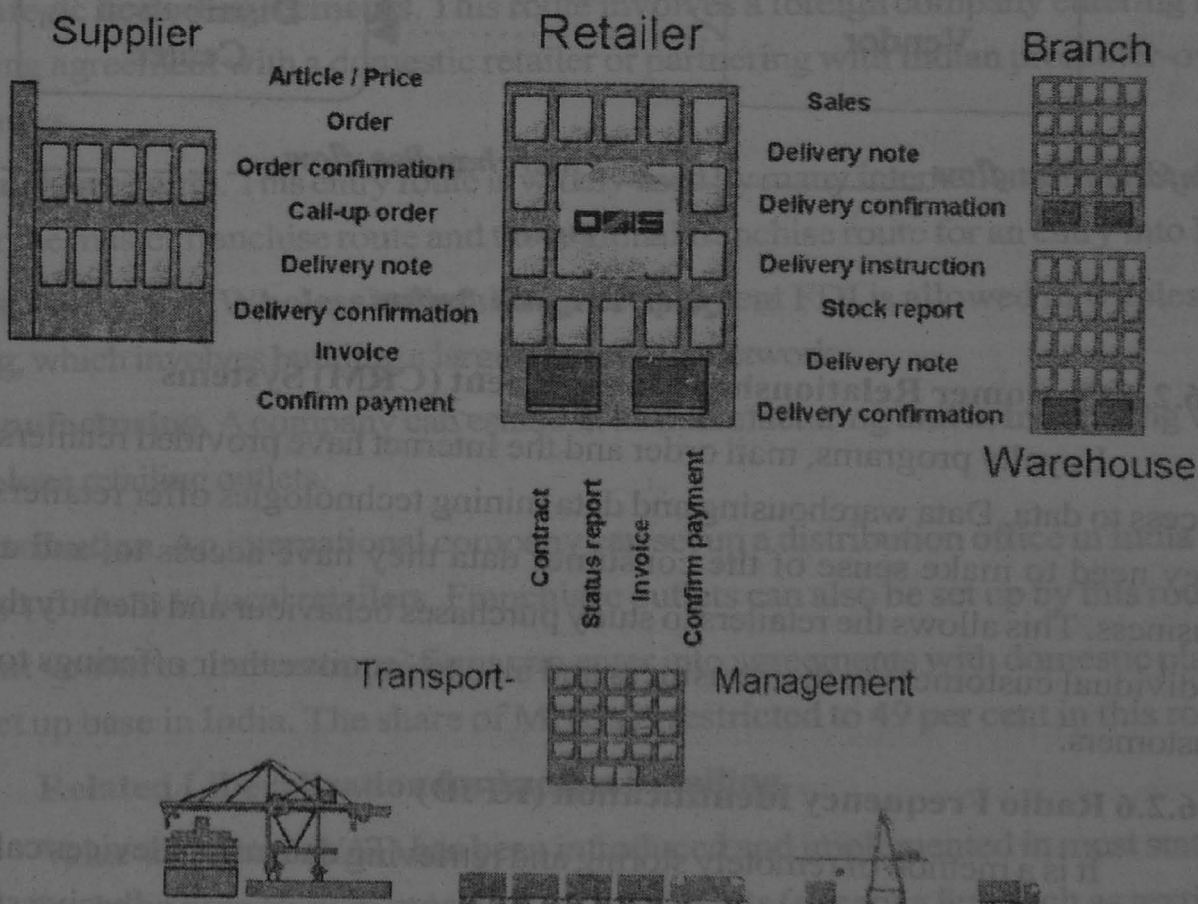
Payment through credit cards has become extremely widespread and enables an easy payment process. Electronic cheque conversion, a recent development, processes a cheque electronically by transmitting transaction information to the retailer and the customer's bank. The retailer then voids the cheque and hands it back to the customer along with a receipt.



1.6.2.3 Electronic Data Inter change (EDI)

This is the computer to computer exchange of information, and business documents, from retailer to vendor and back. In addition to sales data, information regarding purchase orders, invoices and returned merchandise are transmitted from the retailer to the vendor.

Many retailers now require vendors to provide notification of deliveries before they take place. Advanced Shopping Notice (ASN) is an electronic document received by the retailer's computer from the supplier in advance of the shipment. If accurate, the retailer can dispense with opening cartons and checking the merchandise.

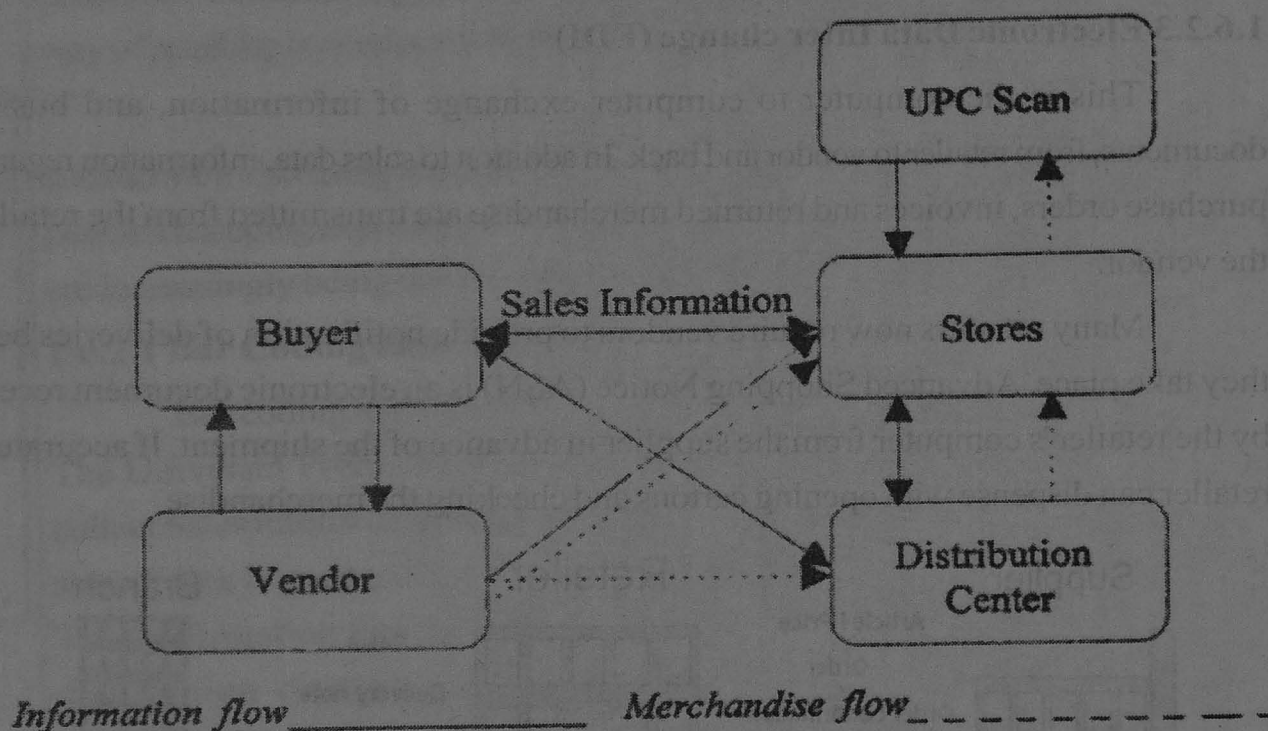


1.6.2.4 Internet

Is very fast emerging as a customer interface, reducing the need for a customer to physically visit a store to view the product's attributes. He/She can do so from the comfort of his/her home and even place an order for the desired merchandise.

1.6.2.5 The Quick Response (QR) System

In today's retailing environment "you are either quick or you are dead". Many vendors have developed retail specific ERP systems which help to integrate all the function from warehousing to distribution, front and back office store system and merchandising. Such an integrated supply chain, Figure helps the retailer in maintaining his stocks, receiving supplies on time, preventing stock outs and thus reducing his costs and servicing the customer better.



Figure

Quick Response System

1.6.2.6 Customer Relationship Management (CRM) Systems

Loyalty programs, mail order and the Internet have provided retailers with real access to data. Data warehousing and data mining technologies offer retailers the tools they need to make sense of the consumer data they have access to, and apply it to business. This allows the retailers to study purchases behaviour and identify the value of individual customers to their business and also to improve their offerings to potential customers.

1.6.2.6 Radio Frequency Identification (RFID)

It is a method of remotely storing and retrieving data using devices called **RFID tags and transponders**. An RFID tag is a small object, such as an adhesive sticker, that

can be attached to or incorporated into a product. RFID tags contain antennas to enable them to receive and respond to radio frequency queries from an RFID transceiver.

An RFID system may consist of several components; tags, tag readers, tag programming stations, circulation readers, sorting equipment and tag inventory wands. The purpose of an RFID system is to enable data to be transmitted by a portable device, called tag, which is read by an RFID reader and processed according to the needs of a particular application. The transmitted information may provide location information, or specifics about the product tagged e.g. price, colour, date of purchase etc.

Low frequency RFID tags are commonly used as remote locking devices in cars and as anti theft devices. High frequency RFID tags find application in libraries, book stores, and apparel item tracking etc. RFID tags are being seen as a replacement for UPC or bar codes mentioned earlier. It also has potential application in POS, store checkout, to replace the cashier with an automatic system which needs no bar code scanning.

1.7 GOVERNMENT POLICY IMPLICATIONS ON RETAILING

Realizing the potentials of retail industry in job and revenue generation, the Indian Government has embarked on a host of policy initiatives. To promote larger investments, FDI up to 100 per cent is allowed under the automatic route for cash and carry wholesale trading and export trading, and FDI up to 51 per cent is allowed with prior government approval for retail trade in single brand products. However, FDI in retailing of goods under multiple brands, even if the goods are produced by the same manufacturer, is not allowed under the current guidelines. Available routes for foreign players to enter the retail sector:-

1. **Strategic license agreements.** This route involves a foreign company entering into a licensing agreement with a domestic retailer or partnering with Indian promoter-owned companies.
2. **Franchisee route.** This entry route is widely used by many international brands, which opt for the master franchise route and the regional franchise route for an entry into India.
3. **Cash and carry Wholesale Retailing.** 100 per cent FDI is allowed in wholesale trading, which involves building a large distribution network.
4. **Manufacturing.** A company can establish its manufacturing unit in India along with standalone retailing outlets.
5. **Distribution.** An international company can set up a distribution office in India and supply products to local retailers. Franchisee outlets can also be set up by this route.
6. **Joint ventures.** International firms can enter into agreements with domestic players and set up base in India. The share of MNCs is restricted to 49 per cent in this route.

1.7.1 Related Liberalization for Indian Retailing

Value-added tax (VAT) has been introduced and implemented in most states and Union Territories, and across most industry segments (except a few such as textiles) to

resolve multiple taxation issues and maintain uniform prices across geographies. In addition, octroi has been abolished in many states to further trade in the retail sector. Labour laws in India are under the scanner for higher liberalization, with the government relaxing certain norms or permitting flexibility in the laws for emerging retail hubs such as Bangalore and Hyderabad. Laws such as restriction on working hours, mandatory closure of the store once a week, etc., are being modified to suit the modern retailing context, while ensuring that there is no adverse impact on the benefits for employees.

Efforts are being made by the government to reduce impediments by introducing a single-window clearance mechanism. This would reduce the entry and establishment timelines for new players in the market and facilitate timely and hassle-free approvals. The government is expected to adopt a calibrated approach in land and rent reforms to improve the real estate regulatory environment and facilitate easy access to retail space for international investors. The government is releasing large tracts of undeveloped land for retail development in Mumbai and the National Capital Region (NCR). Other state governments are expected to follow suit, with associated benefits for them in the form of access to impressive revenues from sale of land and tax collection from retail development. Problems related to lease rentals and pro-tenancy laws significantly deter international investors. The government is pursuing possible solutions to these problems with initiatives such as special economic zones (SEZs), allotment of government-controlled land, etc.

The Agricultural Produce Marketing Committee Act (APMC), which curtails direct sourcing of agricultural produce (grocery, food grains, etc.), is proposed to be amended soon, with a draft model act being legislated by the government. The new act promotes direct marketing to corporate by farmers, setting up of farmer-consumer markets and contract farming. The government is encouraging contract farming, as it provides incentives to both the farmers and the corporate retailer, with the former gaining access to a larger market and the latter to a direct raw material procurement source at competitive prices. The government is currently pursuing the development and modernization of eight strategically located mandis in Delhi, Punjab, etc., that will have cold storage, sorting and grading facilities.

1.8 CASE STUDY

Hungry Kya vs. Vegetable Mandis

In recent years, „Hungry Kya has become one of the largest food retailers in India. By 2009, „Hungry Kya's share of the organized Indian food market was 13.5%, made possible by its pan-India presence of nearly 350 outlets. In fact, „Hungry Kya has also expanded to neighboring countries such as Bangladesh, Sri Lanka, Nepal, Thailand, with some of their stores. Also it has few stores in New Jersey, USA and Ontario, Canada, where a large number of the Indian Diaspora reside. A typical „Hungry Kya store stocks about 10,000 kinds of food products and some additional offerings in the area of kitchen related utensils, cleaning agents and accessories. Its own private labeled products are an

important part of their offerings account for nearly 60% of their sales. About 2500 new products suitable for the Indian taste and palate are being introduced year on year.

In contrast to this, retail behemoth, „Vegetable Mandis have been a traditional phenomenon in India over centuries. These „Vegetable Mandis provide an opportunity to small farmers to gain direct access to local customers. This in fact also creates a unique social milieu where housewives, domestic servants, and small vendors create a social ecosystem with almost fanatical gathering. The majority of vendors or stall holders at these „Vegetable Mandis are mostly working out of home or are farm food producers within 50-60 kms. of the market. This assures customers about the source of the product and also gives them a feeling that they are supporting farmers in the local community to survive. They also enjoy the experience of haggling and bargaining with these small vendors. By some estimates, such „Vegetable Mandis across India have estimated sales of Rs. 500 million (in 2008) as compared with „Hungry Kya s sales volume of Rs. 5 billion.

However, with growth of India s middle class and double income no kids (DINKS) families, it is the organized retail format that is gaining more acceptance and in large urban locales, the concept of „Vegetable Mandis is fading away, slowly and steadily.

Discuss:

Taking a cue from this case, please discuss whether India has accepted organized retailing for green groceries or do you feel that subzi mandis still rule the roost.

1.9 SUMMARY

Retailing is a vast and fast industry. It provides a diversity of size and character of business rarely encountered in other industry sectors. Retailers not only contribute to the general economy, but they are also part of the fabric of society itself. In this unit, the increasingly dominant role that the retailer plays in the distribution of products to consumers has been explored, along with the resulting evolution in the general structure of the industry.

Retailing is the sale of goods and services to ultimate consumers for personal, non-business use. Any institution may engage in retailing, but a firm engage primarily in retailing is called a retailer. Retailers serve as purchasing agents for consumer and as sales specialists for producers and wholesaling middleman. They perform many specific activities such as anticipating consumers' wants, developing product assortments and financing.

1.10 ANSWER TO CHECK YOUR PROGRESS

1. Sam Walton in 1962
2. Foreign Direct Investment
3. To cut again
4. Point Of Sale
5. Levallois-Perret, France

1.11 QUESTIONS / EXERCISES

1. Define retailing and explain the reasons for rise of retailing.
2. Briefly discuss about the global retailing.
3. Briefly explain the Socio-economic and Technological influence on Retail Management
4. Discuss the government policy implications on retailing.
5. Visit online encyclopedia:
Wikipedia [<http://en.wikipedia.org/wiki/retailing>]. List 5 major points from the definition of Retailing as described there.
6. Discuss how RFID technology helps retailers in tracking and managing inventory as well as its role in curbing shoplifting and reducing pilferages.

1.12 FURTHER READINGS

- Ø Moe, Daniel J., (2007). Retail, The Art and Science. New York, NY: Xlibris Corporation.
- Ø Levy, Micheal & Weitz, Barton A., (2008). Retailing Management, New York City, NY: McGraw Hill.
- Ø Fernie, J, Fernie, S. & Moore, C., (2005) Principles of Retailing. London, UK: Butterworth-Heinemann.

2.1 ORGANIZED AND UNORGANIZED RETAIL FORMATS

The Indian retail market is witnessing a migration from traditional retailing to modern organized retailing formats. With an explosive proliferation of malls and branded outlets, Modern retailing outlets in India are increasingly becoming global in standards. Retail sector is expected to become a major driver of growth in the overall retail market and are witnessing intense competition. The growth in the organized retail market is driven, in large part, by the explosion in the organized retail market. By this, we mean the familiar Western concept of chain outlets, department stores, supermarkets, etc., and this segment accounted for US\$12.1 bn of sales in 2006, or 4.8% of the total retail segment (Investment Commission of India (ICI) data, 2008). BMI forecasts that organized retail sales will reach US\$26.2 bn by 2013, representing 10.7% of the total Indian retail industry.

1.1.2 The Organized retail is poised to grow at a rate of 19 percent over the next 5 years. The Organized retail market in India is projected to grow to US\$ 23 billion in 2009-10. The Organized retail segment is expected to grow from 5 per cent to about 16.8 per cent by 2012-13, which has a share of over 55 per cent of total retail revenues. Additional retailing continues to be the backbone of the Indian retail industry. Over 12 million small and medium retail outlets exist in India, the highest in any country. Traditional retail is highly pronounced in small towns and cities, with a primary presence of neighbourhood 'kirana' stores, pushcart vendors, 'mela' and 'mandis'. Organized retailing is growing with aggressive penetration in urban India, fuelled by burgeoning economic activity. An increasing number of domestic and international players are setting up base in the country and expanding their business to tap this growing segment.

of The food and beverage segment accounts for the largest share, at more than 50 per cent of the total retail. Traditional retail dominates food, grocery, and the allied products sector with grocery and staples largely sourced from kirana stores and pushcart vendors. Food and grocery segment comprises 63 per cent of the \$ 230 billion

UNIT II

Structure

- 2.1 Organized and Un-Organized retail formats
- 2.2 Unit Objectives
- 2.3 Types of retail formats
- 2.4 Emerging trends in retail format
- 2.5 MNC's role in organized retail format
- 2.6 Case Study
- 2.7 Summary
- 2.8 Answer to Check Your Progress
- 2.9 Questions / Exercises
- 2.10 Further Readings

2.1 ORGANIZED AND UNORGANIZED RETAIL FORMATS

The Indian retail market is witnessing a migration from traditional retailing to modern/ organized retailing formats, with an explosive proliferation of malls and branded outlets. Modern retailing outlets in India are increasingly becoming global in standards and are witnessing intense competition. The growth in the overall retail market will be driven, in large part, by the explosion in the organized retail market. By this, we mean the familiar Western concept of chain outlets, department stores, supermarkets, etc., and this segment accounted for US\$12.1bn of sales in 2006, or 4.6% of the total retail segment (Investment Commission of India (ICI) data, 2008). BMI forecasts that organized retail sales will reach US\$76.2bn by 2013, representing 10.7% of the total. Indian retail industry is poised to grow at a rate of 19 per cent over the next five years. The Organized retail market in India is projected to grow to US\$ 23 billion in 2009–10. The Organized retail segment is expected to grow from 5 per cent to about 7 to 8 per cent by 2012–13.

With a share of over 95 per cent of total retail revenues, traditional retailing continues to be the backbone of the Indian retail industry. Over 12 million small and medium retail outlets exist in India, the highest in any country. Traditional retail is highly pronounced in small towns and cities, with a primary presence of neighbourhood 'kirana' stores, push-cart vendors, 'melas' and 'mandis'. Organized retailing is growing at an aggressive pace in urban India, fuelled by burgeoning economic activity. An increasing number of domestic and international players are setting up base in the country and expanding their business to tap this growing segment.

The food and beverages segment accounts for the largest share, at more than 70 per cent of the total retail pie. Traditional retail dominates food, grocery and the allied products sector, with grocery and staples largely sourced from kirana' stores and push cart vendors. Food and grocery segment comprises 62 per cent of the \$ 270 billion

Indian retail market (India Retail Report, 2007). Only 0.8 per cent of this segment is in the organized sector and witnessed a year-on-year growth of 30.8 per cent in 2005-06 as against 2.2 per cent growth of the total food and grocery retail market. The apparel and consumer durable verticals are the fastest-growing verticals. Mobile phones, supported by the growing telecom penetration in small towns and villages, are a major retail item with the addition of 10 million to 12 million mobile phone users every month. The home décor sector is witnessing rapid growth with the reducing average age of Indians buying homes. Beauty care, home décor, books, music and gift segments are gaining attraction, predominantly in the urban areas and emerging cities.

Organized retail in India is largely restricted to urban regions with consumer exposure to modern retailing formats such as malls and standalone stores, etc., for specific product categories. The clothing and textiles/apparel segment dominated the organized retail sector with revenues worth US\$ 6 billion in 2007-08, contributing more than 27 per cent to the organized retail pie.

Grocery shopping refers to shopping for food and grocery products. According to an IIM, Ahmedabad, food and grocery shopping includes shopping for grains, pulses, fresh fruits and vegetables, packaged food, personal products and some household goods. Retail sector revenues are pegged to touch US\$ 460.6 billion by 2010-11. Organized retail is projected to grow to US\$ 41 billion by 2012-13. Modern retail is expected to adapt and imbibe from traditional formats. Unorganized retail formats are converging and combining in formats such as mushrooming village malls. Large Indian retail players have already begun formulating strategies for the rural retail space.

2.1.1 Benefits of Organized retailing:

The concept of organized retail implies that there are well defined players viz. producers, vendors, suppliers, customers and service providers. The players interact with each other with predefined and organized processes, resulting in overall efficiency in the buying and selling value chain with benefits accruing to all the players. One of the outcomes of organized retailing is truncation of value chain and elimination of intermediacy layers, resulting in key economic benefits to bulwark of this process viz. both the producers and consumers.

Therefore, benefits that accrue due to Organized Retailing can be enumerated as follows:

- i. Better prices to producers (i.e., farmers, manufactures, craftsman) as intermediaries are eliminated from the process.
- ii. Better prices to consumers as large retail chain leverage economy of scale to drive larger discounts from producers, and therefore, able to offer lower prices.
- iii. Creation of better infrastructure (e.g., shops, stores, warehouses) leading to better storage and display of products, enhancing consumer's experience.

- iv. Job creation across the value chain (e.g., sales people, storekeepers, IT support, and transporters) thereby, opening up multiple employment opportunities of newer kind.
- v. Tax revenue optimization for Government and municipalities as all taxes and levies are paid across the chain with fewer avenues of avoidance.

2.1.2 Organized retailing in India

Some estimates put Indian retail industry at the fifth position for worldwide packing order. It largely comprises of unorganized sector, however over the last decade Organized Retailing has made major in-roads. This has happened due to several reasons, some of them are:

- i. Higher disposable income.
- ii. Change in taste and preferences of consumers.
- iii. Global exposure to majority of Indians thorough satellite television.
- iv. Entry of large Indian corporate in the fast growing retail sector.

It has resulted in scorching pace of growth of this industry pegged at 25 -30% annually. In fact, it has tripled the size from Rs.35,000 crores in 2004-05 to Rs.110,000 crores in 2010-11. This is corroborated by the 8th Annual Global Retail Development Report of consulting firm AT Kearney which prognoses that retail trade share has risen from 12% of GDP in 2009 to 20% plus in 2010. Another report from Northbridge Capital share of Organized Retailing in India has grown to 20% of the total retail market in 2010 from 7.5 % in the year 2007. This data implies that Indian retail industry is also on a similar trajectory as of the more developed world where organized retailing is a way of life.

The changing altitude and preferences of Indian consumer and growing acceptance of more advanced retail formats has tremendously improved the attractiveness of this segment. It has advanced the movement into this sector by several large Indian corporate. In fact, Indian retail market is considered to be the second largest in terms of growth potential, as likely to receive investments of the order of Rs.200 billion by the end of 2010.

Initially, the majority of organized retail boom (of the order of 85%) was largely in big metropolitan cities. Over the years, it has been percolated down to smaller cities and tier II towns. This is a very positive trend for the industry which expects 20-25% of retailing growth to come from this segment.

The categories that are most amenable to Organized Retailing are as follows:

- Ø Food and grocery
- Ø Consumer electronics
- Ø Home solutions (furniture, appliances)

- Ø Health and beauty care (medicine, cosmetics)
- Ø Apparel and clothing (branded and private labels)
- Ø Books, music and gifts
- Ø Entertainment (multiplexes, bowling alleys, game zones)

The following are the major organized retail groups:

Future Group

One of the biggest retailers in India with more than 450 stores across the country is active in almost in all the categories listed above. Some popular stores are like Big Bazaar and Pantaloon.

RPG Group

This group is one of the early entrants in Indian retail market with Spencers chain in South India. Today, it has major foray in grocery and food through Food world stores. It also has beauty and pharmacy stores under brand name of „Health and Grow .

Tata Group

Another respected group has entered into retail market with subsidiary Trent with store brands such as Westside for apparel and Star India Bazaar.

Reliance Group

Reliance has emerged as the biggest player in Indian retail industry. With 300 Fresh stores and Marts, Reliance has gained great popularity among Indian retail firmament.

AV Birla Group

This group also has strong presence in Indian apparel trading. It has rights for India for great brands such as Louis Phillipe, Allensolly, VanHeusen and Peter England. This group has launched „More as retail grocery store.

2.1.3 Challenges to the organized retail industry

It is important for all of us to look into certain aspects which would be important to drive retail momentum to enable its sustained development. One of the biggest stumbling blocks for Organized Retail is competition from the unorganized sector in India. Unorganized retail is largely owner operated with low cost structures, and overheads and thereby, results in much lower labour costs, avoidance of taxes to a large extent. On the other side, Indian consumers since generations have great familiarity with these formats and use to their advantages by haggling for bargain and seeking monthly credit terms.

One of the largest impediments to Organized Retailing is higher labour costs, better and larger physical infrastructure, employee benefits and government taxes to pay. This give rise to much larger expenses than the unorganized sector. Further, the availability and costs of a good retail space is a major area of concern. However, with private sector Real Estate developers built large malls in tier I and tier II towns, availability of space has improved but the rentals are high.

Another major area of concern for Organized Retailing is the properly trained sales personals and skill up-gradation of the existing personals. Though many private and some government sector retail training institutions have come in to being to cater to the needs of capacity development in this sector. Also, development of supply chain management and organization and management of mass procurement activities and proper inventory management are areas where Organized Retailer needs both private and public sector intervention.

Even though, India is on the investment map of large global retailers, some of them still feel that Indian regulatory framework and policies regarding foreign direct investments in retail needs clarification before they embark on major investment in this country. There are other issues of brand protection and anti-piracy of designs that also need to be addressed at IPR protection level.

Despite these issues and impediments, the organized retail momentum is growing. The Government must enumerate clear policies and regulatory framework to ensure its sustained growth.

2.2 UNIT OBJECTIVES

After reading this unit, the learners can understand the differences between the organized and unorganized retailing. He will know about the different types of retail format and understands its merits and demerits. This unit helps the learners to understand the role of MNC's in retailing.

2.3 TYPES OF RETAIL STORES

Retailing has changed dramatically from the day of the general store. Retailers range in size from small, independent, owner-operated shops like the local florist, dry cleaners, or barber, to national and international giant category killers. As the Indian retail market is just beginning to evolve, one again needs to look at the formats, which has evolved over a period of time in the west. The basic classification done is store-based retailers and non-store retailers. The store-based retailers can be further classified on the basis of the merchandise that they offer, or by the manner of ownership.

1. Classification on the Basis of Ownership

On the basis of ownership, a retail store can be an independent retailer, a chain retailer or a corporate retail chain, a franchise or a consumer co-operative.

An Independent retailer is one who owns and operates only one retail outlet. Such an outlet essentially features the owner and proprietor and a few other local hands or family members working as assistants in the shop. Many independent stores tend to be passed on from generation to generation.

In India a large number of retailers are independent retailers. Stores like the local baniya /kirana store and panwala, are examples of independent retailers, as are stores like Benzer, Instyle, Premsons, Amarsons, etc. The ease of entry into the retail market is

one of the biggest advantages available to an Independent retailer. Depending on the location and product mix that he chooses to offer, he can determine the retail strategy. The independent retailer often has the advantage of having a one to one rapport with most of his customers. However, on the flip side, the advantages of economies of scale and bargaining power with the suppliers are limited.

A chain retailer or a corporate retail chain: When two or more outlets are under a common ownership, it is called a retail chain. These stores are characterized by the similarity in merchandise offered to the consumer, the ambience, the advertising and the promotions. Examples in India include Wills Sports (ITC), Louis Phillipe, Van Heusen (Madura Garments), Arrow (Arvind Mills), and department stores like Globus, Westside and Shopper's Stop, Foodworld, Music World, Planet M, etc. are also examples of chain retailers.

The biggest advantage that a chain retailer has is the bargaining power that he can have with the suppliers. Cost effectiveness is also possible in advertising and promotions. Since chains expand across cities and regions, it may not always be possible to take into account the regional, or rural and urban preferences. The ability to give attention to each of the stores becomes fairly restricted.

Chief Features of Chain Stores

The chief features of chain stores are:

- i. One or more units may constitute a chain,
- ii. They are centrally owned with some degree of centralized control of operation.
- iii. They are horizontally 'integrated' that is, they operate multiple stores. With addition of each new store, the system extends the reach to another group of customers.
- iv. Many stores are also 'vertically integrated'. They maintain large distribution centers' where they buy from producers, do their own warehousing and then distribute their own stores.

Advantages of chain stores or multiple shops

- i. Lower selling prices. This is mainly possible due to economy in buying operation.
- ii. Economy and advertising. Common advertisements covering all the units are feasible and this reduces advertisement expenditure.
- iii. Ability to spread risks. Unlike the department store the principle here is not to "lay all the eggs in one basket". By trial and error, a unit sustaining losses may be shifted to some other place or even dropped.
- iv. There is flexibility in working.
- v. Since it works only on cash basis, bad debts as well as detailed accounting processes are avoided.
- vi. Central and costly locations are not essential.

Limitations of chain stores or multiple shops

- i. Lower price is a false claim. According to Stanton "Price Comparison is not possible, as such stores are handling only limited items".
- ii. Inflexible in practice. Multiple shops deal in standardized products only-which creates inflexibility in offering wide varieties.
- iii. Personnel Problems. Being a large organization, it is always susceptible to problems associated with large scale business.
- iv. Poor public image. Various consumer services such as credit facility, door delivery etc. are completely absent in chain store. The present day consumers prefer to have more services than quality in addition to desiring low prices.

Franchising a franchise is a contractual agreement between the franchiser and the franchisee, which allows the franchisee to conduct business under an established name, as per a particular business format, in return for a fee or compensation. Franchising may be for the following:

- § **A product or a trade mark franchise** – where the franchisee sells the products of the franchiser and / or operates under the franchiser's name. Archie's stores, which have come up all across India, are an example of product franchising.
- § **A business format franchise** – McDonald's is perhaps one of the best examples of business format franchising.

Under the both the above-mentioned methods of franchising, the franchise may be for a single store, a multiple number of stores for a region or country. Companies like Arvind Mills, Madura Garments, Benetton have expanded in India by opening franchise outlets for their brands. International fast food retailers like Subway, Domino's, Pizza Hut and McDonald's too have started operations in India through franchising. Franchising as a method of expanding the retail business, is explored in detail, later in this chapter.

Leased Departments

These are also termed as shop-in-shops. When a section of a department in a retail store is leased / rented to an outside party, it is termed as a leased department. A leased department within a store is a good method available to the retailer, for expanding his product offering to the customers. In India, many large department stores operate their perfumes and cosmetics counters in this manner. A new trend emerging in Indian retail is that of larger retail chains setting up smaller retail outlets or counters in high traffic areas like malls, department stores multiplexes and public places like airports and railway stations. These stores display only a fraction of the merchandise / products sold in the anchor stores. Their main aim is to be available to the consumer near his place of work or home.

Consumer Co-operatives

A consumer co-operative is a retail institution owned by its member customers. A consumer co-operative may arise because of dissatisfied consumers, whose needs are not fulfilled by the existing retailers. As the members of the co-operative largely run these co-operatives, there is a limitation on its growth opportunities. Examples of co-operatives in India are the Sahakari Bhandars and Apna Bazaar shops in Mumbai and the Super Bazaar in Delhi. Retail focuses on the Kendriya Bhandras operated by the government – probably one of the oldest examples of co-operative stores in India.

2. Classification on the Basis of the Merchandise Offered

If retailers are to be classified on the basis of the merchandise mix that they offer to their customers, they may be very broadly as the food oriented and the general merchandise retailers. Within this classification, we can further classify them on the basis of the target market that they cater to. Speciality stores, department stores and convenience stores cater to a very specific target market. They are hence, many times referred to as product / service retailers. In contrast, the supermarkets, discount stores, hyper markets and off price retailers cater to a mass market and are often called traditional product retailers.

Convenience Stores

These are relatively small stores, located near residential areas. They are open for long hours, seven days a week and offer a limited line of convenience products like eggs, bread, milk, etc. The store size ranges from 3,000 to 8,000 sq. ft., and they are targeted at customers who want to make their purchases quickly. Though convenience stores per se, do not exist in India, the retail stores, which have started coming up at petrol pumps in major Indian cities, like the HP Speed Mart and In & Out, can be termed as convenience stores.

Supermarkets

These are large, low cost, low margin, high volume, self-service operations, designed to meet the needs for food, groceries & other non-food items. This format was at the forefront of the grocery revolution, and today, controls more than 30 per cent of the grocery market in many countries. Internationally, the size of these stores varies from 8,000 to 20,000 sq. ft. ASDA, Safeway, Kroger and Tesco are some of the large international players. Some retailers follow the concept of Every Day Low Pricing (EDLP). Under this, the prices charged by the retailers are lower than those charged by other grocery retailers in the area.



While there is no standardization on the parameters of what makes a supermarket in India, it is one of the fastest growing segments. Many traditional retailers are refurbishing their stores and christening themselves as supermarkets. However, some of the well-established ones are Nilgiri's, Footworld, Subhiksha and Vitan.

Characteristic Features of Super Markets

Chief characteristic features of supermarkets include the following:

- i. They are usually located in or near primary or secondary shopping areas but always in a place where parking facilities are available.
- ii. They use mass displays of merchandise.
- iii. They normally operate as cash and carry store.
- iv. They make their appeal on the basis of low price, wide selection of merchandise, nationally advertised brands and convenient parking.
- iv. They operate largely on a self-service basis with a minimum number of customer services.

Supermarkets came into existence during the depression in U.S.A. At that time they sold only food products, and their principal attraction was the low price of their merchandise. As super markets increased in number day by day they also expanded into other lines of merchandise.

Advantages of supermarkets

- i. Super markets have the advantage of convenient shopping, permitting the buyer to purchase all his requirements at one place.
- ii. Super markets also stock a wide variety of items.

iii. These markets can sell at low prices because of their limited service feature, combined with large buying power and the willingness to take low percent of profit margins.

iv. Shopping time is considerably reduced.

Limitations of Supermarkets

i. The large and extensive area required for a super market is not available cheaply in important places.

ii. The products which require explanation for their proper use cannot be dealt in through the super markets.

iii. Customer services are practically absent.

iv. Another limitation of the super market is the exorbitantly high administrative expenses.

Hypermarkets

These are huge retail stores occupying an area which ranges anywhere between 80,000 to 2,20,000 sq. ft. They offer both food and non food items like clothes, jewellery, hardware, sport equipment, cycles, motor accessories, books, CDs, DVDs, videos, TVs, electrical equipment and computers, and combine the supermarket, discount & warehouse retailing principles.

The hypermarket concept was pioneered by Carrefour in France. A distinguishing feature of hypermarkets is their large size. The cheapest prices will normally be found in these stores. Across the world, hypermarkets are usually part of a retail park with other shops, cafeterias and restaurants. They almost always have their own petrol station on the site. Other facilities on the site include banks with cash machines, photo processing shops and pharmacies. Internationally, hypermarkets are located at the outskirts of major towns and cities.

Speciality Stores

These are characterized by a narrow product line, with deep assortments in that product line. Speciality stores usually concentrate on apparel, jewellery, fabrics, sporting goods, furniture, etc. They have a very clearly defined target market and their success lies in serving their needs. Personal attention, store ambience and customer service are of prime importance to these retailers.

Internationally, most speciality retailers operate in an area that is under 8,000 sq. ft. Examples of international retail chains, which are speciality retailers, include The Gap, Ikea, High & Mighty, Big & Tall, etc. In India speciality stores in one of the fastest emerging formats. Examples of speciality stores in India include retail chains like Proline fitness station, Gautier furniture, etc.

A new type of a speciality retailer has emerged in the West – this is the category killer. A category killer is a speciality retailer, which offers a very large selection in the chosen product category, and economical prices. Category killers are successful because

they focus on only one category. They stock deep (e.g. Toys R Us has 10,000 toy items in a store, as compared to 3,000 in a department store), they buy and sell cheap and finally, they dominate the category. Toys R Us is a good example of an international category killer. Nallis's in Chennai can be termed as a category killer in sarees, as also the Chandana Bros chain in Andhra Pradesh and Toys Kemp in Bangalore. Mumbai has one such category killer – The Loft, a 15,000 sq.ft. store catering to footwear alone.

Department Stores

Department stores as a retail format, originated in the mid-nineteenth century. This form of retailing is popular in many parts of the world. In broad terms, a department store is a large-scale retail outlet, often multi-leveled, whose merchandise offer spans a number of different product categories. The merchandise of various departments is displayed separately in the store. Apparel and furnishing are two of the most common product categories in most department stores. Some of the well-known international players in this format are Marks & Spencer, Sears, J.C. Penny, Harrods, Selfridges, etc.

Characteristic Features of Department Stores

The chief features of these stores are:

- (i) These are integrated stores performing operations in addition to other retail stores such as wholesaling.
- (ii) Goods are divided into different classes with different locations and management within the store itself.
- (iii) These stores are distinguished by the nature of goods they sell and not by the varieties they keep for example, drug and variety stores carry a wide variety of goods.
- (iv) The store is a horizontally integrated institution. It brings together under one roof a range of merchandise offerings comparable to the combined offerings of many stores specializing in single or fewer merchandise lines.



While department stores have been around in India for a long time, this format of retailing has seen a fair amount of action over the past few years. The size of an average Indian department store varies from 20,000 to 40,000 sq.ft. and stocks anywhere between 50,000 to 1,00,000 SKUs. Some of the national players are Shopper's Stop, Globus, Westside and Lifestyle, while others like Akbarally's, The Bombay Store, Benzer in Mumbai, Ebony in Delhi and Chermas and Meena Bazaar in Hyderabad, are the important local players.

Merits of Department Stores

1. Large department stores buy in large quantities and receive special concession or discount in their purchases. Many of them purchase direct from manufactures and hence, middleman's charges are eliminated.
2. Department stores are in a position to pay cash on all or most of their purchases and this gives them an additional advantage of picking up quality goods at cheaper rates and at the same time stocking the latest style and fads.
3. Customers can do all their purchases under one roof and it appeals to people of all walks of life.
4. The organization is too large to provide expert supervision of various departments for the adoption of a liberal credit and delivery service for large-scale advertising.
5. When customers enter the store to deal with one department they are frequently induced by the advertisement which the display of goods offers to make purchases in other departments as well.

Limitations of Department Stores

Department business organizations are not free from abuses. There are certain specific limitations from which such institutions suffer such as:

1. The cost of doing business is very high due to heavy overhead expenses.
2. Because of their location in a central shopping area they are of not much advantage to the public because goods required at short notice are always purchased from the nearest traders.
3. There is lack of personal touch and personal supervision which is to be found in single line.
4. When hired diligence is substituted for the diligence of ownership, loss and leaks are likely to occur.
5. Many customers abuse the liberal services extended and take advantage of the policy of the 'customers is always right'.
6. The type of salesmanship found in many stores is very poor because of low payments and lack of supervision.

Off Price Retailers

Here, the merchandise is sold at less than the retail prices. Off-price retailers buy manufacturers, seconds, overruns and / or off seasons, a deep discount. The merchandise may be in odd sizes, unpopular colours or with minor defects. Off price retail stores may be manufacturer owned or may be owned by a speciality or departmental store. These outlets are usually seen by the parent company as a means of increasing the business. Factory outlets, if owned by the manufacturer, may stock only the company's merchandise. Examples include the Pantaloon factory outlets, the Levi's factory outlets, etc. On the other hand, off price retailers owned by a speciality or departmental store, may sell merchandise from the parent company as well as merchandise acquired from other retailers. This form largely depends on the volume of sales to make money.

Catalogue Showrooms

Catalogue retailers usually specialize in hard goods, such as house ware, jewellery, and consumer electronics. A customer walks into this retail showroom and goes through the catalogue of the products that he would like to purchase. Some stores require the customer to write out the product code number and hand it over to the clerk, who then arranges for the product to be brought out from the warehouse for inspection and purchase. Some of the popular catalogue showroom retailers in the world include Argos, Service Merchandise and Best Products.

3. Non-Store Retailing

The ultimate form of retailing directly to the consumer is the non-store retailing. A direct relationship with the consumer is the basis of any kind of a non-store retail venture. It may be broadly classified into direct selling and direct response marketing. While direct selling involves a direct, personal contact, in direct response marketing, the customer becomes aware of the products / services offered through a non personal medium like mail, catalogues, phone, television or the internet.

Direct Selling

Direct selling involves the making of a personal contact with the end consumer at his home or at his place of work. Cosmetics, jewellery, food and nutritional products, home appliances and educational materials are some of the products sold in this manner. The direct selling industry, which started out in India in the mid-1990s, went through a bad phase before attaining a significant worth of Rs 1,500 crore today, and it continues to record a 25-30 per cent growth.

As far as the profile of the products purchased from direct selling companies is concerned, 68.9 per cent are household goods, while 12.4 per cent are personal care products. Family products (including educational material, leisure products) account for 14.4 per cent, business aids and others (mainly promotional material) account for 3.59 per cent, and food products (like dietary supplements) account for 0.71 per cent of all the

products purchased. In world markets, households' goods account for 39.5 per cent of all products purchased, while personal care products account for 30.4 per cent.

An interesting aspect of direct selling in India is that women comprise up to 70 per cent of all sales people in India, couples account for 20 per cent and males account for 10 per cent. The number of men is expected to go up because companies like Modicare, Amway and Herbal life have been encouraging men to join their sales force. Direct selling may follow the party plan or the multi level network. In a party plan, the host invites friends and neighbours for a party. The merchandise is displayed and demonstrated in a party like atmosphere and buying and selling takes place.

In a multi level network, customers act as master distributors. They appoint other people to work with them as distributors. The master distributor earns a commission on the basis of the products sold and distributed by the distributors.

Advantages of Direct Selling

- i. Consumers have the opportunity to buy at home or at another convenient non-store location that provides the opportunity for personal contact with a sales person.
- ii. For the seller, direct selling offers the boldest method of trying to persuade ultimate consumers to make a purchase.
- iii. The seller takes the product to the shoppers' home or work place and demonstrates them for the consumer.

Limitations of Direct Selling

- i. Sales commissions run as high as 40 to 50% of the retail price; of course, they are paid only when a sale is made.
- ii. Recruiting sales people - most of whom are part timers are difficult tasks,
- ii. Some sales representatives use high pressure tactics or are fraudulent.

Direct Response Marketing

Direct response marketing involves various non-personal methods of communication with the consumer and these include:

- Ø Catalogue retailing or Mail Order
- Ø Television retailing
- Ø E-retailing

Mail Order Retailing / Catalogue Retailing

This form of retailing eliminates personal selling and store operations. Appropriate for speciality products, the key is using customer databases to develop targeted catalogues that appeal to narrow target markets. The basic characteristic of this form of retailing is convenience.

Television shopping

Asian Sky Shop was among the first retailers who introduced television shopping in India. In this form of retailing, the product is advertised on television; details about the product features, price and other things like guarantee / warranty are explained. Phone numbers are provided for each city, where the buyer can call in and place the order for the product. The products are then home delivered.

Electronic Shopping

This format allows the customer to evaluate and purchase products from the comfort of their homes. The success of this form of retailing largely depends on the products that are offered and the ability of the retail organization to deliver the product on time to the customer. Strong supply chains and delivery mechanisms need to be in place for it to be a success. Many retailers are opting for click and mortar, where, while having a brick and mortar retail store, they also sell some of their products or ranges on the Internet. Though most of the large retail organizations in the world have already adopted this model, it is yet to catch on in India.

CHECK YOUR PROGRESS

1. McDonald, Pizza Hut, and Costa coffee are the examples of _____ form of retailing.
2. Give some examples for category killers.
3. What do you mean by C-Store.
4. Give one example for Hyper market.
5. Give some Indian examples for discount store in clothing sector.



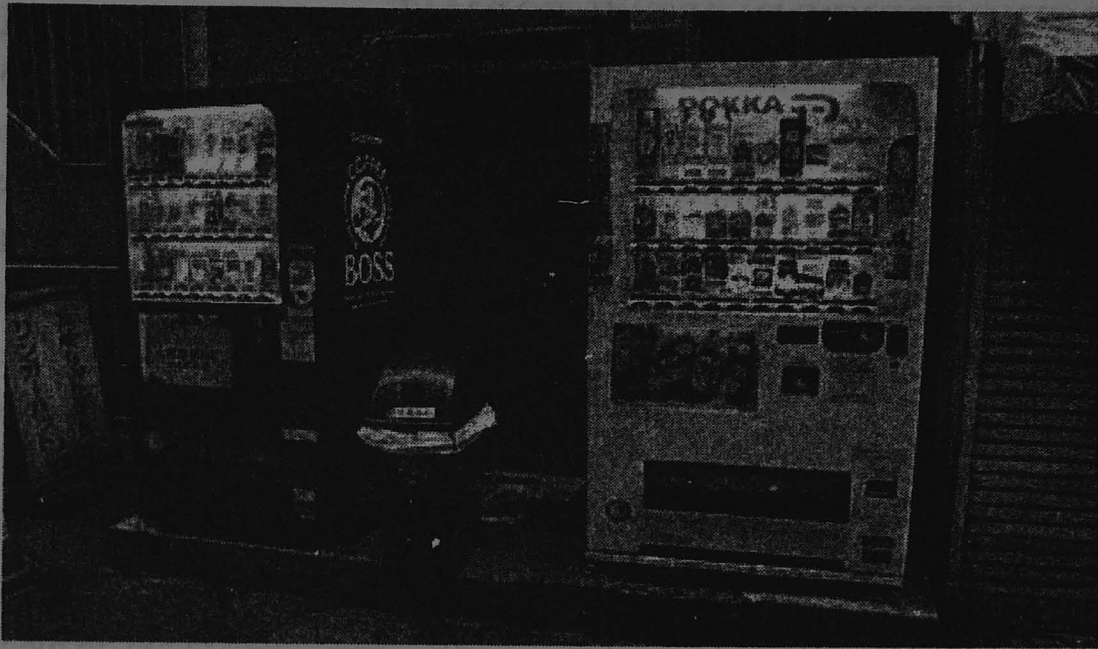
Interactive Kiosk

Information kiosks have emerged in the western markets as a new type of electronic retailing. These kiosks, comprising of computer terminals housed inside and a touch screen on the outside, provide customers with product and company information and may actually aid the customer in making a purchase. A large number of international cosmetic companies have used this technology to their advantage. The terminals also serve as a market research tool for the retailers. A large amount of information about the people who have interacted with the system can be collected and programs and products developed accordingly.

Automated Vending

This is another impersonal form of retailing. However, it provides convenience to the customers, as they have access to the products round the clock. It is a popular form

of retailing abroad and is used to sell routinely purchased items like soft drinks, candy, cigarettes and newspapers. While tea and coffee vending machines are a popular sight at the airports in India, the Automated Teller Machines operated by banks are perhaps the most successful examples of automated vending in India. The tea and coffee machines are rarely completely automated and unattended as in India, the cost of labour is still cheap.



Airport Retailing

Retail is becoming increasingly important for airport operators. It is time to redefine airports. Gone is the age where airports were passenger processors, the time when traveling was just a hassle, with passengers moaning and complaining about long waits and dull surroundings. We are now in an era where airports are focusing on retail and food and beverage strategies upfront, so as to reshape airports into exciting, energized business and retail / entertainment centres – as well as transportation hubs.

Airports in many cities of the western world, the Far East and Middle East serve as mini shopping plazas for the traveler. In India, this trend is yet to catch on. Only one retail organisation has actually ventured into opening a retail store at an airport in India. Retail Snapshot 2.5 highlights this development in Indian retail.

The “Cash & Carry” Outlets

The term “Cash & Carry” means that customers do their own order picking, pay in cash and carry the merchandise away. Cash and carry is a wholesale format that aids small retailers and businessman. The advantages that this format has over the traditional wholesale operations are: 1) It offers a wide assortment of goods, food and non-food items, thus providing for one stop shopping and allowing the customers to save time. 2) Given the permanent availability of goods in the store, the customer can always purchase the goods he needs and is able to store and finance them in the short term. Thus, despite the principle of cash payment, cash and carry largely takes over the function of financing

and stock holding on behalf of its customers. 3) Longer business hours per week enable the customer to do his shopping at a convenient time, seven days a week.

This format has been featured in this section as two of the largest groups, which operate under the cash and carry format, viz., Metro AG, Germany and Shoprite of South Africa, have recently started their operations in India.

2.4 EMERGING TRENDS IN RETAIL FORMAT

In recent years the nature of retailing has changed dramatically, as firms try to protect their positions in the market place. Many customers are no longer willing to spend as much time on shopping as they once did. Some sectors of retailing have become saturated, several retailers are operating under high levels of debt and number of retailers after running frequent "sales", have found it difficult to maintain regular prices.

Retailers are adapting to*the shopping needs and time constraints of working women, dual earner households and the increased customer interest in quality and customer service:

Shopping Malls:

A growing number of shopping malls are coming up all over the country. In north India; there seems to be a proliferation of such malls surrounding Delhi, in places like Gurgaon and Noida. In general they target higher income customers, with their prestigious speciality shops, restaurants and department stores.

Factory Outlets:

Manufacturers are opening factory outlets to sell off surplus inventories and outdated merchandise. This forward vertical integration gives manufacturers greater control over distribution, than selling the merchandise to off price retailers. Mohini knitwear of Ludhiana (Punjab) and number of woolen and hosiery manufacturers set up their outlets in Delhi during winters.

Non Store Retailing:

Non store retailing is accelerating at a faster rate than in store retailing. This includes direct marketing. In Home shopping, TV shopping and e-tailing etc.

Diversification of Offerings:

Scrambled (unrelated products or services) merchandising is taking on a broader meaning and inter type competition among retailers is growing. For instance Citibank is organizing tourist trips and sending mail order catalogues to its credit card customers.

Impact of Technology on Shopping Behaviour:

The way retailers present their merchandise and conduct their transactions are changing. Cable TV Channels are used to present merchandise, Videos have replaced catalogues and computer linkages to acquire information and make purchases are on the increase. Virtual shopping through PDA's is another possibility.

Multi Channel Retailing:

Traditional store based and catalogue retailers are placing more emphasis on their electronic channels and evolving into multi channel retailers, because they can reach new markets and overcome limitations posed by traditional formats.

2.5 MNC's ROLE IN ORGANIZED RETAIL FORMAT

The global retail industry has been growing at a brisk pace during the last few decades. Retail sales through modern formats have been rising faster than total retail sales; the share of modern retail has risen from about 45 per cent in 1996 to over 52 per cent in 2006. However the spread of organized retailing in different countries varies depending upon the socio-economic factors related to the country. In the developed economies, organized retail is in the range of 75-80 per cent of total retail, whereas in developing economies, the unorganized sector dominates the retail business. The share of organized retail varies widely from just 1.00 per cent in Pakistan and 4.00 per cent in India to 36.00 per cent in Brazil and 55.00 per cent in Malaysia. Modern retail formats, such as hypermarkets, superstores, supermarkets, discount and convenience stores are widely present in the developed world, whereas such forms of retail outlets have only just begun to spread to developing countries in recent years. In developing countries, the retailing business continues to be dominated by family-run neighbourhood shops and open markets.

The arrival of modern retail in developing countries occurred in three successive waves. The first wave took place in the early to mid-1990s in South America (e.g., Argentina, Brazil, and Chile), East Asia outside China (South Korea, Malaysia, Philippines, Thailand, and Taiwan), North-Central Europe (e.g., Poland, Hungary, and Czech Republic) and South Africa. The second wave happened during the mid to late 1990s in Mexico, Central America (e.g., Ecuador, Colombia, and Guatemala), Southeast Asian countries (e.g., Indonesia), Southern-Central Europe (e.g., Bulgaria). The third wave began in the late 1990s and early 2000s in parts of Africa (e.g., Kenya), some countries in Central and South America (e.g., Nicaragua, Peru, and Bolivia), Southeast Asia (e.g., Vietnam), China, India, and Russia. Thus, the third wave countries which include China, India and Russia are late comers in the diffusion of modern retail.

With the changing demographic features and improvement in quality of life of urban India, the Indian retail sector is witnessing a tremendous growth. The total retail sales in India are expected to grow from US\$ 353.0 billion in 2010 to US\$ 543.2 billion by 2014 (The BMI India Retail Report, May 2010)⁴. Strong underlying economic growth, population expansion, the increasing wealth of individuals and the rapid construction of organized retail infrastructure are key factors behind the forecast growth. As well as an expanding middle and upper class consumer base, there will also be opportunities in India's emerging cities. The greater availability of personal credit and a growing vehicle population to improve mobility also contribute to a trend towards annual retail sales growth

of 11.4 per cent. The growth in the overall retail market will be driven largely by the explosion in the organized retail market.

Although traditional retail currently constitutes over 95 per cent of the total sales in the country, smaller kiranas that are unable to compete with new age retailers in terms of variety and scale have begun losing volumes in several parts of the country. Political concerns over the loss of livelihood by lakhs who run mom and pop stores also need to be addressed. To address the growing concern over the loss of livelihood, organized large scale retailers like Reliance Fresh is inviting small retailers as well as individuals to become franchisees on a revenue sharing model and the newly-formed Bharti-Wal-Mart venture too intends to follow the same model by offering employment opportunities to 60,000 people by 2015. Internationally, while some studies suggest that large scale retailers like Wal-Mart are responsible for widespread closings of mom & pop stores, other studies suggest that the process of creative destruction unleashed by Wal-Mart has had no statistically significant in long-run impact on the overall size and profitability of the small business sector in the United States. The Prime Minister's Office (PMO) of India has already initiated a study on the impact of retail giants on small retailers and this move has been welcomed by the Confederation of All India Traders (CAIT).

Bangalore, Hyderabad, Chennai and Kolkata are projected to contribute US\$ 27 billion to retail revenues in 2009–10, and the revenues are projected to touch US\$ 34 billion by 2012–13 (CRIS INFAC). Similarly, retail activity in Bangalore, Hyderabad and Chennai is also growing at an exceptional rate, with a phenomenal increase in mall space. Most of the retail sector giants have a footprint in these cities and have plans of expanding base owing to the rapid transition of households from the lower-income group to the higher-income group. Disposable incomes in these cities have increased rapidly over the years, in large part because of the growing presence of IT/ITES businesses in 54 these cities. Bangalore is considered the Silicon Valley of India, with nearly all domestic and international IT giants having a presence there. These cities are projected to experience continued, robust economic growth in the coming years.

2.6 CASE STUDY

Subway in China: Not so easy

In Beijing, Jim Bryant is known as the Franchise king. His office is decorated with awards for being subway's top international franchise salesperson 1997, highest percentage increase in unit sales 2002, and most franchises sold in Asia June 2003 to March 2004. Subway is the third largest U.S fast-food chain in China after McDonald's and KFC.

Even though many franchisors have been lured to China by its 1.3 billion people and its strong economy, the Chinese market is an especially difficult one. Many firms – including A&W, Chilli's Grill & bar, Dunkin Donuts and rainforest café – have closed their stores. And while Bryant has opened 19 subway stores in Beijing over the past decade,

his quota for the time period was 38 stores. Bryant says subway has charged him \$2,000 as damages for not opening the required number of restaurants.

Jim Bryant started doing business in China in the 1970s when he set up a shoe manufacturing factory in Datong, China's northern coal capital. In 1974, he signed an agreement to be subway's representative in China. Bryant would be responsible for recruiting local entrepreneurs to become subway franchisees and act as a liaison between the franchisee and Subway. As compensation, Bryant would receive half of the initial \$10,000 franchising fee and one-third of the 8% royalty fee paid to subway. Bryant also received the rights to open his own subway sandwich shops.

Although many subway restaurants were immediately popular among Americans, the Chinese were confused by the choices. Bryant reduced the confusion by printing signs that explained how to order. Many locals also did not believe that subway's tuna fish was made from a fish since they could not see the fish's head or tail. Unlike other chains such as KFC that offers shredded carrots, fungus or bamboo shoots, subway did not tailor its menus to appeal to the Chinese tastes. According to a subway franchisee, "Subway should have at least one item tailored to Chinese tastes to show that they are respecting local culture".

There are a host of other potential difficulties doing business in China. Some franchisees refused to adapt to the franchisor's requirements for consistency. One of subway's earliest franchisees decided, for example, to change the restaurant's colours and name. Construction costs were severely underestimated on one job. And in a third property, the franchisee was locked out of a location even though it had six months remaining on its lease. Apparently, the property owner found a new tenant who paid two years rent up front. Now Bryant will only sign leases with business entities, not individuals.

Bryant is currently considering whether to sell his stores and the rights to develop Beijing. Like many entrepreneurs, while he enjoys building business, he does not like his role of inspecting stores for overall cleanliness, recipe consistency and décor: "I don't like pruning the tree. I like to plant the seed and watch it grow".

Questions:

1. Describe the pros and cons of a Chinese business person's investing in a Subway franchisee.
2. What are the pros and cons of subway's developing its own stores versus using franchising as a means of selling to the China market?
3. Should subway modify its menu to meet Chinese tastes? If yes, how? Explain your answer.
4. Why does a franchisor commonly penalize master franchisees such as Bryant when they do not develop sufficient franchises within a given time table?

2.7 SUMMARY

Retailers may be classified by form of ownership and key marketing strategies. Also, types of retailers distinguished according to product assortment, price and customer service levels. Mature institutions such as department stores, discount houses and super markets face strong challenges from new competitors, particularly chain stores or multiple shops in various product categories.

Five major forms of non store retailing such as direct selling, telemarketing, automatic vending, on line retailing and direct marketing are discussed in detail. Each type has advantages as well as drawbacks. Franchising in particular is growing dramatically. In this lesson, all these are explained in detail.

2.8 ANSWER TO CHECK YOUR PROGRESS

1. Franchisee
2. Comet, PC World, IKEA and Staples.
3. Convenience Store
4. Carrefour
5. Reliance, West Side, Trent and Raymond

2.9 QUESTIONS / EXERCISES

1. What is organized and un-organized retailing.
2. Discuss different types of retail format.
3. Briefly discuss the different challenges to the organized retail industry.
4. Explain the recent trends in the retail format.
5. Explain the role of MNC's in retailing.
6. List four major departmental stores chain in India
7. List five major Indian retail chains selling electronic appliances and consumer durables.
8. Based on the internet research, identify India's top 10 retailers and get to know their format and their characteristics?

2.10 FURTHER READINGS

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UNIT III

Structure

- 3.1 Choice of retail location
- 3.2 Unit Objectives
- 3.3 Internal and External Atmospherics
- 3.4 Positioning of retail shops
- 3.5 Building retail store image
- 3.6 Retail service quality management
- 3.7 Retail supply chain management
- 3.8 Retail pricing decisions
- 3.9 Case Study
- 3.10 Summary
- 3.11 Answer to Check Your Progress
- 3.12 Questions / Exercises
- 3.13 Further readings

3.1 CHOICE OF RETAIL LOCATION

3.1.1 Introduction

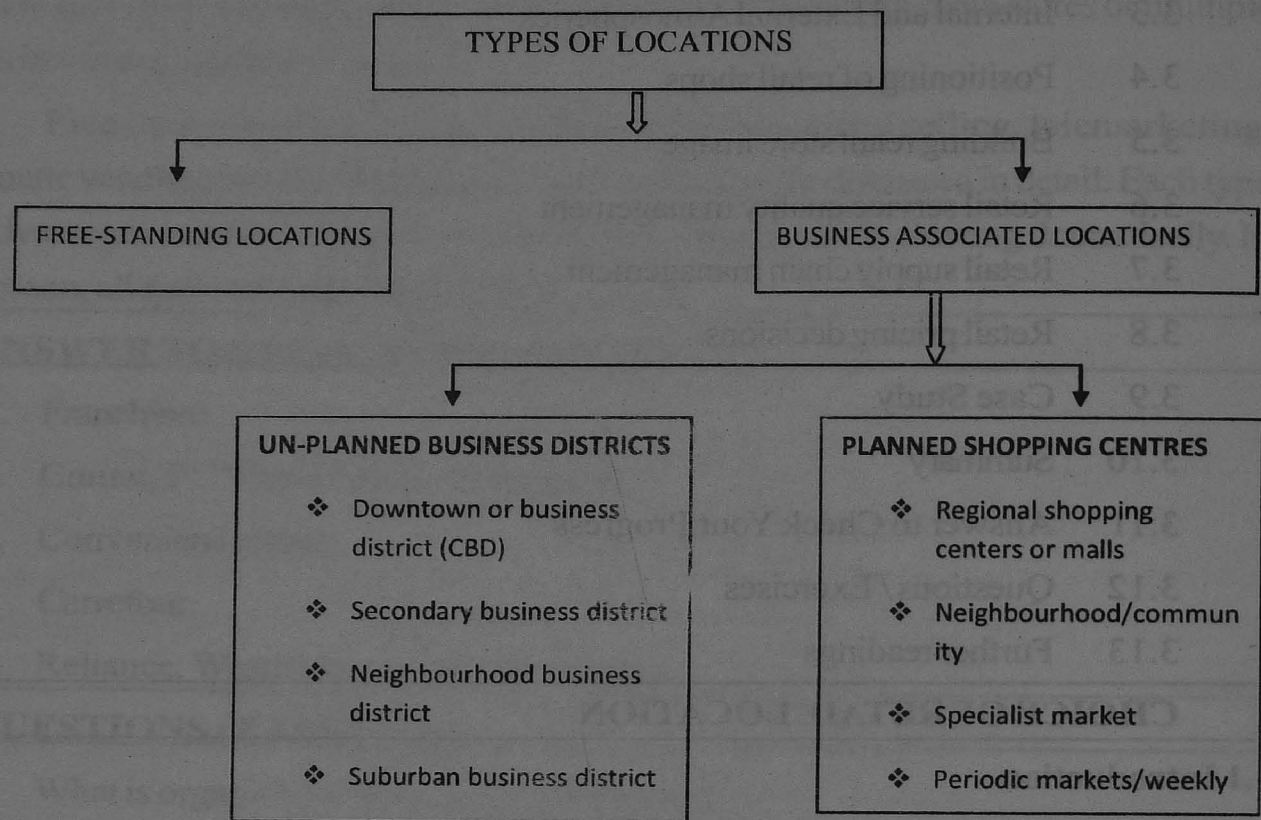
Location is the most important ingredient for any business that relies on customers. It is also one of the most difficult to plan for, completely. Location decision can be complex, costs can be quite high, there is often little flexibility, once a retail location has been chosen, and the attributes of location have a strong impact on a retailer's overall strategy. In India, most retailers prefer to own the property rather than avail of the desired property through lease or rent. This makes the location decision even more critical. Choosing the wrong site can lead to poor results and, in some cases, insolvency and closure.

With the emergence of large retail chains in India, some small retailers also need to re-visit their location decisions. A small grocery store located on a street and doing a good business may suddenly face problems if a large supermarket opens up across the street. Although the small store features personal service and long hours, it cannot match the supermarket's product selection and prices.

3.1.2 Types of retail location

A retailer has to choose among various types of retail locations available. It may locate in an isolated place and draw the customer to the store on its own strengths, such as a small grocery store or pan shop in a colony which attracts the people staying close by. Or, it may locate in a business district where there are a large number of retail establishments. If it decides to locate its in a business district, it may have a choice of ranging from the large shopping centers in the heart of the city, or smaller shopping

complexes in a suburb. The various options available to a retailer India are shown in figure 3.1.2.1.



I. Free standing locations:

A free-standing location is one where there are no other retail outlets in the vicinity of the store and, therefore, the store depends on its own pulling power and promotion to attract customers. This type of location has several advantages including little or no competition, low rent, and often better visibility from the road, easy parking, and lower property costs. But there are disadvantages also such as difficulty in attracting customers, no shared costs like in a shopping centre, and lack of variety for shoppers. The most popular stores in this format are the grocery stores in colonies and dhabas on highways. Free-standing stores can be classified as neighbourhood stores or highway stores.

1. Neighbourhood shopping center.

This type is designed to provide convenience shopping for the day-to-day needs of consumers in the immediate neighbourhood. Roughly half of these centers are anchored by a super market, while about a third has a drugstore anchor. These anchors are supported by smaller stores offering drugs, sundries, snacks, and personal services. A neighbourhood center is usually configured as a straight—line strip with no enclosed walkway or mall area, although a canopy may connect the store fronts.

The relatively small size of the strip center means that it offers a rather narrow array of convenience or specialty stores. It is best designed to serve individuals living in

the immediate vicinity or frequent passersby who would see the stores in the center as being convenient. The neighbourhood strip center can be placed almost anywhere that land permits. Inter sections and main thoroughfares are the most popular sites.

Notably, recent changes in shopping patterns have seen a move away from urban and regional malls to this neighbourhood formats.²⁰

2. Highway stores

Highway stores are located along highways or at the intersections of two highways and attract customers passing through these highways. In India, the dhabas found on most highways are a good example. We now have attractive motels coming up on highways where there are good parking facilities, fast food restaurants, rest rooms, etc.

II. Business Associated location

These are locations where a group of retail outlets offering a variety of merchandise not only to work together to attract customers to their respective stores, but also compete against each other for the same customers. This type of location can be further classified into the following:

- Unplanned business districts
- Planned shopping centers

a) Unplanned business districts

An unplanned business district is a type of retail location where two or more retail stores locate together on individual considerations rather than on the basis of any long-range collective planning. Thus, we may find four to five shoe stores, three to four medical stores in a cluster. An unplanned district generally provides certain advantages like availability of variety of goods, services, and prices; access to public transport; nearness to commercial and social facilities; and pedestrian traffic. However, an unplanned business district has certain limitations such as congestion, older facilities, lack of space for large outlets, parking problems, and high rentals, which have led to growth of planned shopping centers. There are four kinds of unplanned business districts in India: the central business district, the secondary business district, the neighbourhood-business-district and the downtown business district.

1. Downtown or Central Business District (CBD)

The central business district (CBD) is a shopping area located in either the central downtown area or another area in the city with a concentration of businesses. Until the mid-1970s, the CBD was the core for shopping in most cities. When cities were relatively compact and much smaller the largest share of retail shopping was done in this downtown area. The CBD contained the largest concentration of department stores. Clothing stores, jewellery stores, variety stores, and specialty stores. When the CBD was thriving, it made possible large scale comparative shopping for all types of merchandise. Ironically, the CBD was an early mall concept in that stores were relatively closed and comparison

could be made easily. The downtown area also met the needs of out of town shoppers, who would frequently be visiting on business or staying in a downtown hotel.

Reuse and modernization of commercial buildings also promise to help the return of street level retail activity to downtown areas. A retailer must decide whether renovation of downtown building space is commercially feasible. The following attributes should be considered;

- (1) Easy access from street,
- (2) Abundance of foot and vehicular traffic,
- (3) Space and lighting for appropriate signage,
- (4) Physical dimensions required to support business use,
- (5) A contiguous population that can correlate with the quality of shops and their brand name merchandise and the expected cost of goods, and
- (6) The design enticements to help make the location a unique shopping experience.

b) Secondary business district:

These are composed of an unplanned cluster of stores often located on a major intersection of a city. They attract customers from a large part of the city. Some of the major secondary business districts include Dadar in Mumbai, Lajpat nagar, Karol bagh and Kamala nagar in Delhi and Koramangala in Bengaluru.

c) Neighbourhood business district

Stores located in a neighbourhood business district form a small cluster and serve the neighbourhood trading area. Most colonies in cities and towns in India have such clusters of shop.

d) Suburban Business

District stores located on the town's periphery have lower rents, often rely on traffic generated by the downtown, and may sometimes offer parking facilities. For example, the malls in Guragaon near Delhi, or on Ferozepur road in Ludhiana are good examples. In Mumbai, Vashi and Navi Mumbai are suburban business districts.

b) Planned Shopping Centers

The expansion of suburbia brought with it planned residential developments. These new sub divisions were connected by many new city streets and through fares along which retail businesses could be established. The notion of the planned shopping center was born. Developers could plan multi store facilities that would serve the needs of these new neighbourhoods with grocery, drug, and apparel goods. With the availability of large tracts of relatively cheap undeveloped land located many miles from the inner city, but close to these new living areas, large centers could be designed that would offer one stop shopping to entire clusters of residential areas. The last thirty years witnessed the widespread development of multiunit retail strip centers and the construction of multi-care shopping malls/theme parks.

Several important issues surround the choice of locating a retail business in a planned shopping center. One important consideration is the nature of the business sharing lease space within the center. Recent research has shown that the image of your retail business will be either positively or negatively influenced by the types of business that surround you, a process that is called image transference.

The term shopping center has been evolving since the early 1950s. Given the maturity of the industry, numerous types of centers currently exist that go beyond the standard definitions.

We can classify planned shopping centers into four categories: regional shopping centers and neighbourhood/community shopping centers, specialized markets and periodic markets.

a) Regional shopping centers or malls

This type provides general merchandise, a large percentage of which is apparel, and services in full depth and variety. Its main attraction is its anchors: traditional, mass merchants, or discount department store or fashion specialty stores. A typical regional center is usually enclosed, with an inward orientation of stores connected by a common walkway. Parking surrounds the outside perimeter.

A regional shopping centers provides full depth and variety in apparel, furniture, home furnishings, and general merchandise. Regional centers typically contain at least three large full – line department stores supplemented by numerous apparel stores, shoe stores, house hold appliance stores, furniture stores, drug stores, and super markets. More recently off – price and discount anchors have appeared as mall operators respond to the need of retaining value – conscious shoppers. Gross leasable area for this type of mall ranges between 300,000 and 1,000,000 square feet. The typical size of a regional center is above 400,000 square feet on a 40-to 100 acre site. A trade area of 200,000 or more people is normally required.

A keep point of differentiation between the community and the regional center is the extent to which people are willing to drive from one city to another to patronize a regional center. In other words, the shopping alternatives that are available in a regional center must not be present in surrounding communities. This case is often encountered in large urbanized areas that contain multiple large-scale malls, each of which contains similar anchors. A retailer's decision to locate with in a regional mall is, again, dependent on the level of demand that is available given rental and utility costs. Another important mall location consideration is signage. As a non-anchor tenant, the lifeblood is not traffic drawn from the street by a sign or storefront but the inter anchor traffic generated within the mail. This captured traffic, however, permits the survival of narrow niche marketers like specialty restaurants.

b) Neighbourhood/Community shopping centers:

This type is designed to provide convenience shopping for the day-to-day needs of consumers in the immediate neighbourhood. Roughly half of these centers are anchored by a super market, while about a third has a drugstore anchor. These anchors are supported by smaller stores offering drugs, sundries, snacks, and personal services. A neighbourhood center is usually configured as a straight-line strip with no enclosed walkway or mall area, although a canopy may connect the store fronts.

The relatively small size of the strip center means that it offers a rather narrow array of convenience or specialty stores. It is best designed to serve individuals living in the immediate vicinity or frequent passersby who would see the stores in the center as being convenient. The neighbourhood strip center can be placed almost anywhere that land permits. Inter sections and main thoroughfares are the most popular sites.

A community center typically offers a wider range of apparel and other soft goods than the neighbourhood center. Among the more common anchors are super markets, super drugstores, and discount department stores. Community center tenants sometimes include off-price retailers selling such items as apparel, home improvement/furnishings, toys, electronics, or sporting goods. The centre is usually configured as a strip, in a straight line, an L, or a U shape. Of the eight centers types, community centers encompass the widest range of formats. For example, certain centers that are anchored by a large discount department store refer to themselves as discount centers. Others with a high percentage of square footage allocated to off-prices. Retailers can be termed off-price centers.

The community centers usually have 100,000 to 350,000 or more square feet of gross leasable area. Some 90 percent of the newer centers measure less than 150,000 square feet of GLA.

A retailer's decision to locate within a community center will be based on the ability to benefit from traffic drawn from across the entire community. Because the rental rates in the community center will be much higher than those for a neighbourhood or strip center, the revenue benefits must be worth the additional costs.

c) Specialized markets

In India, most of the cities have specialized market famous for a particular product category. A wide variety of merchandise is available within those product categories in such markets. For example, in Chennai, Godown Street is famous for clothes, Bunder Street for stationery products, Usman Street for jewellery, T Nagar for ready-made garments. This is true for most of the urban centers in India. These places in fact serve as established retail areas for other perspective retailers and have also popularly come to be known as markets where goods are available at wholesale rates. The advantage of these markets for retailers is that they have to make little effort to attract consumers to the retail site as they are already established retail centers.

d) Periodic markets:

This is a rural retail market, which is now very popular in the Indian cities. Mostly held in residential areas or neighbourhood markets on a particular weekday, these markets attract a large cross-section of people looking for convenience goods at very low rates. The retailers operating in these markets have mobile set-ups which they keep moving from one market place to another depending on the day of the week. Most of these markets operate in evening hours and are known in different localities by different names—often derivatives of the week day on which they are held. For example, somwari for Monday market, shani bazaar for Saturday market, etc.

These markets are availed of even by retailers with well-established set-ups in regular markets along with mobile traders, as they attract consumers from large trade areas have limited credit transactions, involve very limited infrastructure related costs and carry low overheads. Only a nominal fee has to be paid to the local government bodies. The format has its origins in street markets that were held in urban ghettos to serve the lower and middle income classes.

3.1.2 Site selection Analysis:

Let's summarize the key criteria critical to the site selection decision

(1) Sales potential for the site: The demographic, economic, and competition factors and strategies by which management hopes to create a competitive advantage determine the estimate of sales for a site. Growth potential should be a basic consideration in the evaluation of the sales potential.

(2) Accessibility to the site: Automobile and public transportation access to the site and adequate parking may well be defining criteria. There may be a number of barriers to the target market seeing the site as accessible. The barriers may be geographical, such as mountains or rivers. They may be psychological, such as the perceived quality of the neighbourhoods that customers must travel through. Barriers are often man made, such as one way frontage roads, bridges; clover leaves, and long term public works construction projects.

(3) Pedestrian accessibility at the site: The site must provide reasonable actual and perceived access to the store. Traffic patterns within malls or on city streets can help or hinder pedestrian access. The storefronts can intimidate or encourage entry. Neighbouring stores can bring potential customers near or drive them away. Have you ever watched customers turn away when they have to try to get to a store through a group of teens waiting in line to get tickets to the movie in the mall?

(4) Synergies from nearby stores: We discussed image transference as either a help or a hindrance to drawing traffic to the store. There is cumulative attraction when business can draw more customers together than they could individually. That is why auto dealers will tend to locate where shoppers can visit each of them in a single trip. In a shopping center a group of complementary stores such as apparel and accessories benefit from

being near one have similar retailing strategies on dimensions of merchandise quality and price lines, service quality and store atmosphere. Technology is providing new ways to fine-tune the site evaluation process in terms of the architectural fit with neighbouring stores. How the store and its exterior design mesh with the neighbouring stores is a concern. Advanced computer imaging allows the retailer to see how the storefront will look in the area before construction or moving begins

(5) Site economics: Leasing and occupancy terms. The terms of the lease or purchase contracts have critical implications for the retailers. In a recent survey of retail managers, leasing options and terms were expressed as among their top concerns. Occupancy rates in the immediate or surrounding vicinity also have important implications to retail managers. For example, lower occupancy rates may improve your ability to negotiate a more favourable lease because the developer is anxious to fill vacant space; but low occupancy may signal poor access, poor market variables, or poor management relations with the center owner /developer. Furthermore, even if the vacant space; but low occupancy may signal poor economic viability in the market, too much vacancy can be an open door to a competitor. In fact, if the vacant space is sufficient, it can quickly be occupied by a competitor that you did not anticipate. The full range of the costs of occupancy must be considered. Local taxes, maintenance and upkeep costs, renovation costs, utilities, as well as the cost to rent or own are all critical factors.

(6) Legal and political environment: Increasingly, the legal and political environment is an important consideration in site location decisions. Changes in zoning laws, taxing districts, and road maintenance projects can threaten the long run viability of a specific site.

(7) Physical features: The physical features of the site and neighbouring area must not be overlooked. Whether it is raw land or an existing building, the physical dimensions of the site must fit your needs. Gap, for example, has adopted a standard layout for all its stores to simplify shelving, checkout, stock room, and merchandise display needs. Consequently if a site will not accommodate this predetermined configuration it is abandoned. The size and shape of a site, visibility of a site for signs, age of surrounding buildings, traffic flows by time of day, traffic turning patterns, and numbers of traffic lanes have critical implications to factors such as access, number of cars that can be parked or room for future expansion. Condition of building or rental space, visibility from the street, disabled and delivery access, parking lot condition and size, and interior décor must also be considered. A site that is functional today may not be functional tomorrow as your business expands. As an area grows, you need to be able to access whether or not the existing streets, highways, and intersections will accommodate the expanded vehicular traffic. The close proximity of older buildings may suggest that furniture development is unlikely or that the area is suffering from economic decline. Close attention to zoning must be paid when evaluating the physical features of a proposed site.

3.2 UNIT OBJECTIVES

After reading this unit, the learner can know about the choices of retail location, internal and external atmospherics, positioning and building retail store image. The learner may also understand about retail service quality, supply chain management and retail pricing strategies.

3.3 INTERNAL AND EXTERNAL ATMOSPHERICS

Atmospherics pertains to a store's physical characteristics that are used to develop the image of the retail unit and draw customers. It describes the physical elements in a store's design that appeal to consumers and encourage them to buy.

Atmospherics can be classified in terms of exterior and interior atmospherics. Exterior atmospherics refers to aspects like store front, display windows, surrounding businesses, look of the shopping center etc. It helps to enhance the display and provides customers and relevant information.

3.3.1 Exterior Atmospherics:

Exterior atmospherics refers to all aspects of physical environment found outside the store. It significantly affects store traffic and sales. It is generated by all aspects of the store exterior. Store exterior includes store entrances, main board, marquee, windows, lightings etc. In competitive markets, retailer can use the store front as a strong differentiating factor to attract and target new customers.

Four key aspects of exterior atmospherics are: retail store entrance, display windows, marquee or sign board and parking facilities are discussed as under.



1) Retail store entrance:

One of the first and most striking impressions customers get of a store is the one they receive as they go through the front door. An entrance should be more than a device to keep people out of the store, to encourage them to come in, or to protect against the elements. An entrance should have character, and it should say to prospective customer, "Please come through the door where you will be treated with courtesy and friendliness".

and served to the best of our ability. The entrance might be graceful and elegant or dull and functional; in any case, it should be compatible with the store design and provide an easy way to enter.

Store entrance provides prospective customers access to the retail outlet. Store entrance has to fulfill two important criteria – functional and aesthetic. In India, most of the traditional retail stores enjoy open entrance with no provision for entrance doors and security guards. In some leading markets, retailers or owners of the stores even stand outside and invite the passing shoppers to visit their stores and tell them about the availability of specific merchandise. New age planned shopping centers and retail stores ensure the accessibility to all customers including those using wheel chairs and also provide the security of the store when it is closed.

The most common store entrance alternatives used by retailers are as follows:

Shutter-covered: it is the most common store front among Indian retail stores. The shutter is raised or removed during the working hours. This is used because of security concerns and also because it ensures the usage of the entire store front.

Prefabricated structure: it is a store frame prepared in a workshop and assembled at prototype storefront. It is commonly used by franchisers and chains to maintain a uniform image of their store.

The number of entrances is another important dimension. A small independent retail store usually prefers one entrance, but in some cases they have provisions of back door entrance used prominently for receiving fresh stocks. On the other hand, large departmental stores and shopping centers operate with four or more entrances as they are supposed to attract a large number of visitors.

II) Display Windows:

The main purpose of windows is to attract attention and create an image to potential customers standing outside. Humor, theatrical flair, color, motion, or sound playing outside the windows work well to increase the effectiveness of the display. One of the biggest advantages of display windows is the ability to dramatically affect the exterior of the store. Most of the exterior requires major renovations to change. A retailer can take advantage of its window space to reflect changes in the store's offerings on a seasonal or monthly basis.

The window displays project the image of the store. While one store may be trying to say "Quality" in its windows by showing specific brands or fashions, other stores may use window displays to project a low price or value image. Regardless of whether it is a children's store, a sporting goods store, or a home furnishings store, the window display is often one of the first efforts to communicate with customers and invite them.

During festive seasons, retailers display their selective merchandise along with their respective prices or discounts offered to attract pedestrian traffic particularly the price

conscious shoppers. The relevant factors that retailers or managers look into while deciding on various aspect of window display are number, size, shape, colour, material, and theme of display and the frequency of changes.

III) Marquee or Sign board:

A marquee is usually a painted or neon light displaying only the store name or the store name along with the trademark and other important information of a retail storefront or entrance. In India, many independent retailers used painted tin boards placed outside the store front. The quality of marquee influences the image of the store perceived by the customers. Pizza Hut, McDonald's, and Barista are widely acknowledged marquees. Most of the manufacturers or suppliers sponsor marquees for their independent retailers with the name of the proprietor along with their own brand names and trademarks. Store fronts and marquees play an important role in enhancing the visibility of the retail unit by providing a clear view of the store to the pedestrian and moving vehicles.

IV) Parking Facilities:

Parking facilities play an important role in the success of a retail firm. The importance of parking facility is greater significance in urban shopping centers, where the number of car owners is increase exponentially and people prefer to drive the nearest possible point of the shopping centers. Whereas most of the traditional shopping districts have none or limited parking facilities, most markets provide road pavements for this purpose. Consumers, conventionally prefer to purchase from the nearby shopping centers, which are conveniently approach by foot or public transportation.

However, with the emergence of an automobile-owning shopping class, retailers, irrespective of their location in planned shopping centers or district centers or neighbourhood centers are now providing adequate parking facility to their customers.

3.3.2 Interior Atmospherics:

Interior atmospherics refers to all aspects of the physical environment found inside a store. It affects sales, time spent in the store, and approach/avoidance behaviour of the target segment. Some key ingredients of interior atmospherics are flooring, music, interior store design, level of cleanliness etc.

Interior design of store is evolved by an intelligent combination of the following factors:

Fixtures

A major consideration in developing an appropriate store design involves the use of fixtures. They are used to display merchandise, to help sell it, to guard it, and to provide a storage space for it. They should be attractive and focus customer's attention and interest on the merchandise.

Ceilings

Ceilings represent a potentially important element interior design. In older stores, ceilings of twelve to sixteen feet are still common, but most department store ceilings are now in the nine – to- ten foot range. Remember, the higher the ceiling, the more space to

heat and cool at increasing energy rates. Ceiling heights are becoming much less standardized within stores. Designers are making use of varied ceiling drops to create distinct for different departments within a store.

Flooring

Retailers are taking a sophisticated "return investment" approach to flooring decisions. Firms are willing to pay higher-up-front installation costs for more expensive materials if they see a return in greater durability and reduced maintenance expenses.

Flooring choices are important because the coverings can be used to separate departments, muffle noise in high-traffic areas, and strengthen the store image. The range of choices for floor coverings is endless: Carpeting, wood, terrazzo, quarry tile, and vinyl composition all have applications in different settings.

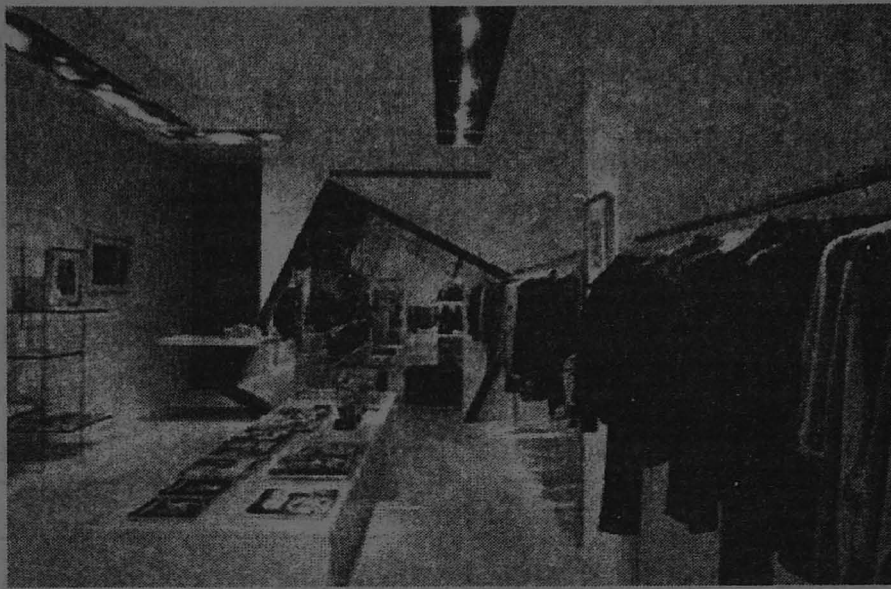


Shelving

The material used for shelving as well as its design must be compatible with the merchandising strategy and the overall image desired. Stainless steel shelving creates an entirely different effect than the painted wood cubes in the Country Seat or the typical metal shelving seen in a general merchandise store. Glass shelving, framed in the woods, creates an element of elegance difficult to achieve otherwise. General shelving considerations and merchandise display are discussed in the next selection.

Lighting:

Lighting is more than just illumination. It should be used to highlight merchandise and capture a mood or feeling that enhances the store's image. A good lighting system creates a sense of excitement in the store, but at the same time renders products in their true colours. A blue shirt should look blue even in artificial lighting. The cosmetic area of a store requires more expensive lighting, than just plain fluorescent lamps. Another use of lighting is to focus spot lights on special features of products. This is known as "popping the merchandise."



Colour:

Colour can go a long way in promoting the retailer's image and help create a specific mood. According to researchers Joseph. A. Bellizi and Robert E. Hite, warm colours, like red and yellow produce opposite physiological and psychological effects as compared to cool colours like blue and green. The colour red has been found to increase blood pressure, respiration and other physical responses.

From a retail point of view, warm colours are supposed to attract attention, but at the same time can be unpleasant. Fast food outlets often use red or other warm colours to facilitate a retail turnover. Cool colours on the other hand are more suitable for anxiety causing products, such as expensive merchandise or consumer durables.

Music: Music, like colour and lighting can either enhance or reduce the retailer's image. However, music, unlike the other atmospherics can be changed easily. Like variations in lighting, fixtures and other store design elements, changing music in different parts of a store can affect customers' behaviour, mood or appeal. Music can be used to connect emotionally to customers.

Scent: "Smell more than any other sense, is a straight line to feelings of happiness, hunger, disgust and nostalgia the same feelings marketers want to tap". Scent in combination with music has a positive impact on impulse buying behaviour and customer satisfaction. However, the nature of scent appears to be less important. Customers gave better perception of stores with scent, regardless of the type of scent, than those without any scent. The important thing is that good smells can be an incredibly powerful part of a retailer's image; just as inappropriate ones can ruin it. The smell of a disinfectant in a clinic is positive but in a bakery it can be disaster.

Cleanliness is crucially important to all businesses, particularly, retailing. It is perceived as a measure of the retailer's competence. Despite this, most businesses are not as clean as

they should be. In a competitive environment, this can seriously damage a retail store's image.

Clutter: Small neighbourhood stores traditionally have had a problem with clutter, not only because they are inefficiently designed to handle a high volume of incoming products, but also because they are often short of space.

Most book shops in the country are badly cluttered, with inefficiently designed aisles. But "Cross Word" chain of book stores across the nation are a very welcome divergence, with clean, uncluttered arrangement of books, shelves and moving space.

3.4 POSITIONING OF RETAIL SHOPS

Positioning in retail is the basis of how one store competes with another retail store; it starts by defining target consumers in terms of 'distinctive' needs, and ends when 'unique' set of executable action steps are identified to achieve an 'identity' in the minds of customers, an identity that customers' experience in the store and distinguish in their minds. A retail identity could be like Wal-Mart's "Every Day Low Price" (note not the lowest price) or Whole Food Supermarket's (the fastest growing grocer in USA) "World's Leading Natural and Organic Foods Supermarket." Price is a positioning option only and only if a retailer has an innovative approach to being the lowest cost operator. Wal-Mart's pricing is based upon the competitive landscape. Where it has head-to-head competition in geographic proximity, it avoids price discounting versus competition, a potentially mutually destructive strategy. But where it has low competition, pricing often is above average. And where it has somewhat distant competition, it discounts to attract consumers within the proximate geography. Note, however, that it defines competition very carefully – K-Mart or Target. Wal-Mart is always cheaper than the traditional supermarkets, an option it can exercise based upon its low-cost structure.

Retailing looks very different when viewed from the perspective of a manufacturer or a consumer. For manufacturers retailers are a link in the distribution chain that takes goods to consumers; channel members who 'need' to stock 'what manufacturers' make,' and who are 'managed' using economic incentives like margins, incentives, and promotions. Consumers' usually don't articulate what they want from retailers but vote with their feet through store loyalty, making some stores more successful than others. Retailers, 'sandwiched' between consumers and manufacturers, continuously strive to ensure that the goods they stock are liked by their customers, and successful retailers are more adept at selecting 'correct' stocks. A retailer adds economic value by matching diversity of consumer demand with appropriately priced and quality suppliers. Retailers are agents of consumers' whom they serve by first understanding their needs, and then searching for products to stock. Not only are consumer needs are very diverse, but consumers' exhibit different purchase behaviors even for purchasing the same product; a consumer buys milk from a hypermarket, a convenience store, and also a neighborhood grocery. It is this diversity that gives an opportunity to retailers to create different retail environments to

serve different consumer needs; retail formats that range from hypermarkets to specialized niche stores like exclusive shirt or tie or socks shops or even coffee cafes all serving a single product, albeit in different manifestations.

Achieving retail differentiation

Creating a distinctive store has two goals – one, to attract customers to visit the store, and second, to create an image and experience of the store visit in the minds of customers so that the memory of the store (and the products) is aroused when the need for similar products is aroused. Traditional retailing talks of product assortment and location as few of the means of differentiation amongst stores. In an over-retailed environment the role of distinctive product assortments and location as a differentiator has weakened; products (and brands) can be rapidly copied (e.g. Zara), and are easily available on the net (e.g. eBay, Amazon).

Newer choices of achieving retail differentiation have emerged based upon a deeper understanding of consumer behavior; how consumers shop, understand and evaluate products on display, and make product / brand choices. Each step of consumer evaluation and choice-making offers an opportunity to retailers to 'influence' purchase behavior. Research suggests that product (and often brand) choice is 'constructed' in the store, rather than retrieved from memory based upon prior experience and / or a priori evaluation of alternatives.

A critical first step in developing a differentiating plan is to understand what happens when a customer interacts with the product assortment. Three potential levels of influence exist - assortment width / diversity / quality / price, assortment presentation (static - as visual merchandising, and dynamic - as staff-customer interactions) impacting how consumers' experience products in the store, and marketing mix variables like price and promotions (see inset). This emphasizes the need of assortment 'management' as different from assortment 'planning.' Assortment management is based upon planning assortments recognizing that consumers usually make product choice decisions on the shop floor, and the behavior and choice process they manifest lends itself to influence.

Detailing of Retail Mix for Positioning

Retail Mix	Options for implementation
Product differentiation	<ul style="list-style-type: none"> • Unique products (exclusive location in a retail district) Hard to find products (getting 110 Volt appliances in Dubai) • Selectively distributed brands – (exclusive distribution of brands or certain SKUs). • Tailored or edited assortments – (assortments exclusive to an outlet / chain) – small bookshop • Wide range – breadth and depth – category killer – Borders • Merchandise combinations – (an electronic store that carries different brands – one-stop-store for electronics) – Jacky's
Service offerings	<ul style="list-style-type: none"> • Location convenience • Store ecology (convenience associated with parking, complementary stores, children's play area, banks, etc.) • In-store ambience and experience (ease and speed of transaction, ease of product evaluation, presentation convenience, comfortable fitting rooms, alteration, etc.) • Time convenience (opening hours and queuing) Sales person (product knowledge, accessibility, and interaction) • Ordering and delivery • Product advice (staff, website, and in-store signage & material) • Returns process and refunds • After sales service
Lifestyle differentiation	<ul style="list-style-type: none"> • Based upon perceptive insight into what customers would like to experience • Customers co-create the experience in the store • Positioning based upon 'lifestyle.' (like Crate & Barrel, Williams Sonoma, Home Depot as a lifestyle DIY in the USA or Ikea) • Achieved through complex interplay of all elements of retail-mix to enable customer experience the lifestyle in the store
Price differentiation	<ul style="list-style-type: none"> • Price range of products to suit target customer • Low feature low price ranges • High feature top-of-line

3.5 BUILDING RETAIL STORE IMAGE

A retailer needs a superior communications strategy to properly position itself in customer's minds as well as to nurture their shopping behaviour. Once customers are attracted, the retailers must strive to create a proper shopping mood for them. Various physical and symbolic cues can be used to do this. Image refers to how a retailer is

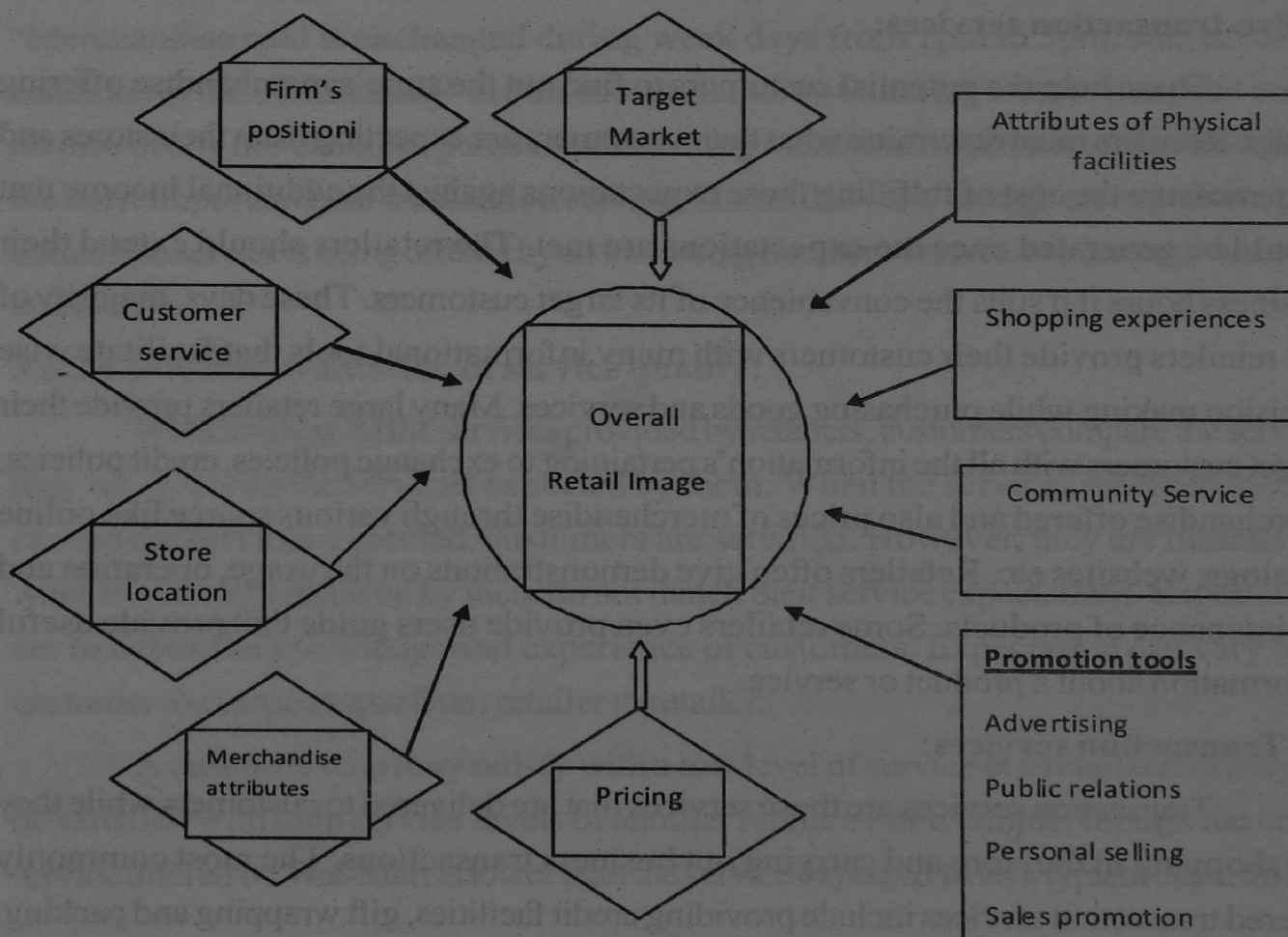
perceived by customers and others and positioning refers to how a firm devises its strategy so as to project an image relative to its retail category and its competitors – and to elicit a positive consumer response. To succeed, a retailer must communicate a distinctive, clear and consistent image. Once its image is established in consumers' minds, a retailer is placed in a niche relative to competitors. For global retailers, it can be challenging to convey a consistent image worldwide, given the different backgrounds of consumers.

3.5.1 The dynamics of creating and maintaining a retail image:

Creating and maintaining a retail image is a complex, multi-step, ongoing process. It encompasses far more than store "atmosphere". Furthermore, with so many people having little time for shopping and others having less interest in it, retailers must work hard to entertain shoppers. A key goal for chain retailers, franchisers, and global retailers is to maintain a consistent image among all branches. Yet despite the best planning, a number of factors may vary widely among branches stores and affect the image. They include management and employee performance, consumer profiles, competitors, the convenience in reaching stores, parking, safety, the ease of finding merchandise, language and cultural diversity among customers in different countries, and the qualities of the surrounding area. Sometimes retailers with good images receive negative publicity. This must be countered in order for them to maintain their desired standing with the public.

3.5.2 The components of retail image:

Numerous factors contribute to retailer's image and it is the totality of them that form an overall image.



Customer communications are crucial for a store or non-store retailer to position itself in customers' minds. Presenting proper image – the way a firm is perceived by its customers and others – is an essential aspect of the retail strategy mix. The components of a firm's image are its target market characteristics, retail positioning and reputation, store location, merchandise assortment, price levels, physical facilities, shopping experiences, community service, advertising, public relations, personal selling and sales promotion.

3.6 RETAIL SERVICE QUALITY MANAGEMENT

While increasing competition in the market place, the importance of customer service has been growing rapidly. Customer service is now becoming a key differentiation strategy for retailers. In a retailing environment, customer service can be referred to as a set of activities and programs taken up by a retail organization to offer its customers a rewarding shopping experience.

Customer service involves all activities that determine – i) the ease of shopping for potential customers or information provided about the store's offerings, ii) the ease of completing a transaction and iii) the satisfaction of customers after shopping. In order to gain a differential competitive advantage, retailers should develop their customer service programs after considering the pre transaction and post transaction activities of sale.

3.6.1 Types of customer services

Services in a retail store are usually delivered at three levels: I) Pre-transaction II) Transaction and III) Post transaction

I) Pre-transaction services:

These help the potential customers to find out the store's merchandise offering easily. Retailers must determine what their customers are expecting from their stores and then measure the cost of fulfilling those expectations against the additional income that would be generated once the expectations are met. The retailers should extend their business hours if it suits the convenience of its target customers. These days, majority of the retailers provide their customers with many informational tools that facilitate wise decision making while purchasing goods and services. Many large retailers provide their target customers with all the information's pertaining to exchange policies, credit policies, merchandise offered and also prices of merchandise through various source like online catalogs, websites etc. Retailers often give demonstrations on the usage, operation and maintenance of products. Some retailers even provide users guide that provide useful information about a product or service.

II) Transaction services:

Transaction services are those services that are delivered to customers while they are shopping in the store and carrying out business transactions. The most commonly offered transaction services include providing credit facilities, gift wrapping and packing. These services help customers to make a business transaction conveniently and quickly.

Providing credit facility is one of the most popular transaction services offered by a retailer. Retailers help customers purchase the goods without the need to carry cash. Apart from this, it provides a "buy now pay later" facility. Retailers can serve their customers better by offering excellent packaging. The packing service of a retailer should be well coordinated with the overall image of the store and type of merchandise it sell.

Merchandise availability is a type of transaction service that helps customers locate the merchandise they wish to buy. By having a well-designed layout along with various point of purchase displays and helpful sales personnel, retailers can make it relatively easier for customers to locate the merchandise.

Customers usually evaluate a sales transaction by the time taken to check out of the store after the merchandise has been selected, the friendly nature of employees at the billing counter, and honoring credit cards. The final transaction services offered by retailer should ensure that customers do not leave the store with any bad experience.

III) Post transaction services:

Post transaction services are those services that are provided by the retailer to the customers after the merchandise or the service has been purchased. Retaining a customer is the most complex task for a retailer because of the increasing competition. Hence, most of the large retailers are now developing customer loyalty programs.

Complaint handling, merchandise exchange handling, repairing, free service and delivery are some of the most common post transaction services offered by retailers.

Handling customer complaints effectively can have a very positive impact even on the most dissatisfied customers. "Goods once sold will not be taken back or exchanged", "Merchandise sold is exchanged during week days from 1pm to 3pm, subject to the condition of the merchandise" are the most commonly found tag lines in fine print on the invoice of any merchandise purchased. Handling merchandise returns and exchanges is the most important post transaction service. Home delivery, though an expensive post transaction service is being offered by an increasing number of retailers to increase customer satisfaction.

3.6.2 Customer evaluation of service quality:

While evaluating the services provided by retailers, customers compare the services they receive with the services expected by them. When the services received meet or exceed the services expected, customers are satisfied. However, they are dissatisfied when the services received by them do not match their service expectations. Expectations are based on the knowledge and experience of customers. Expectation can vary from customer to customer and from retailer to retailer.

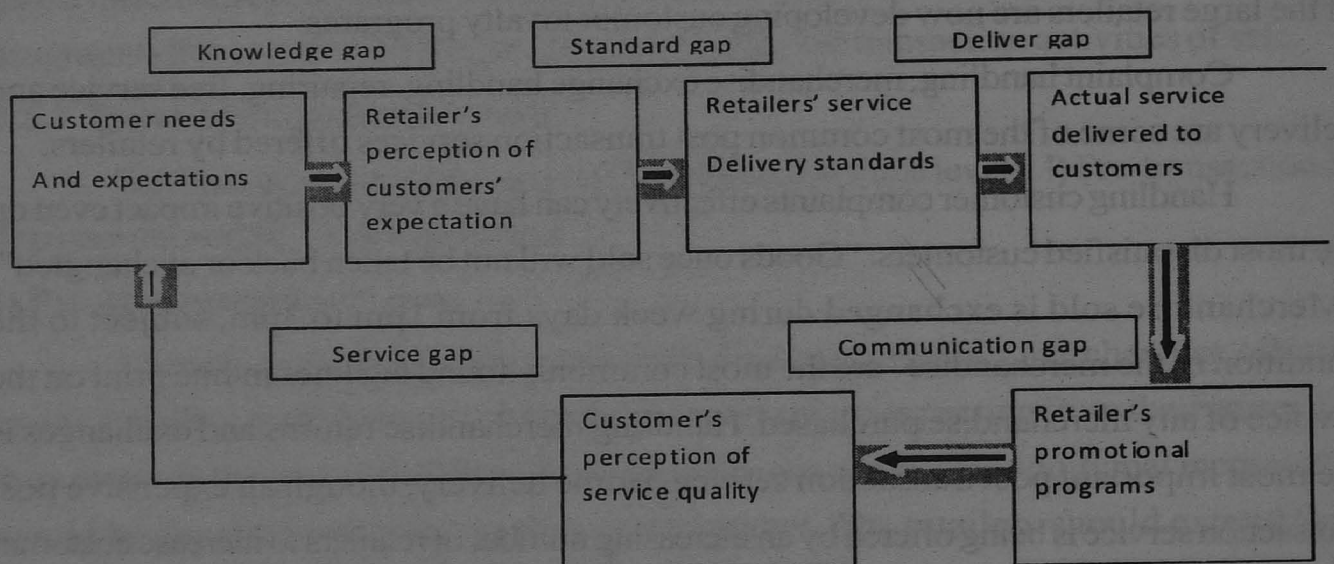
A customer who may satisfy with a low level of service at a retail outlet may not be satisfied with high service levels of another retailer. For example, though the actual service offered by Wal-Mart is lower than the service expected from a typical departmental

store, the customers are satisfied by the service provided by Wal-Mart. At every store, one of its employees stands at the entrance to greet the customers and answer their queries.

The evaluation of the service offered by a store usually depends on perceptions of customers. Through perceptions are influenced by the services actually provided, accurate evaluation of a service is difficult as it is intangible. Sales personnel are the major determinants of the customer's perception of service provided by the retailer. The satisfaction or dissatisfaction of customer arises from the gap between the perceived service and the actual service provided.

3.6.3 The GAPS model for improving quality of customer service:

The Gaps model for improving the quality of service was given by Valerie Zeithaml and the center for retailing studies at the Texas A&M University. This model gives insights into the various obstacles that may hinder a retailer's ability to close or otherwise minimize the gap between the customers' expectations and the perceived service (the customer's perception of the actual service received). For example, the level of service expectations from a fast food outlet will certainly be different from that of a restaurant at a star hotel.



There are many factors that influence the customers' expectations. They include advertising and sales promotions, personal needs, word-of-mouth publicity and competitive offerings. There are four key potential gaps that a retailer should understand in order to evaluate the service satisfaction.

a) Knowledge gap:

Retailers should have complete knowledge of customer expectations from a store. Acquiring this knowledge can be as simple as interacting with customers on a regular basis or it can be complex as conducting through research on customers. Some retailers develop programs for analyzing the service expectations and perceptions of their customers. These programs usually involve getting questionnaires filled up by customers visiting the

store and then analyzing them. Some retailers survey customers immediately after closing the transaction. In some stores managers interact with a panel of customers who share their experiences at the store while shopping and give suggestions for improving the services. Complaints form another important source of information about the quality of service at a retail outlet. Sales personnel and other staff members, who interact with customers on a regular basis usually, know a lot about the service expectations and perceptions of customers. This information can be accessed only if there is an open channel of communication across the retail organization.

b) Standards gap:

Apart from understanding customer needs, retailers should also set some service standards. Clearly defined service quality standards help employees understand how the company and its customers define a quality job. In order to close the standards gap, retailers should focus on

- i) Providing high service quality
- ii) Providing innovative solutions to various service related issues;
- iii) Defining and describing the role of people delivering the service
- iv) Establishing service objectives; and
- v) Measuring the performance of the service.

c) Delivery gap:

In order to minimize or close the delivery gap and deliver services that exceed the set standards, retailers should provide employees with the necessary knowledge and skills, material and emotional support, and empower them to act in the best interests of customers and the organization as a whole. The interpersonal skills of service providers should be improved and they should be trained in various customer-handling techniques. Service providers should also receive sufficient emotional support from their supervisors and co-workers. The quality of service can be improved by empowering the staff at the operational level of the organization to take important decisions.

d) Communication gap:

Retailers generally raise the expectations of their target customers through advertising and other forms of communication. If any of their communication channels raise customers expectations to unrealistic levels, the actual experience at the store will disappoint customers. Retailers can minimize the communication gap by making realistic commitments and managing customer expectations.

There should be a clear line of communication between the marketing department and operations department since the marketing department develops the advertisements while the operations department delivers the service. Any miscommunication between these two departments would lead to a mismatch between the promises made through the advertisements and the services actually delivered.

3.7 RETAIL SUPPLY CHAIN MANAGEMENT

3.7.1 Essentials of supply chain management in retailing

In the retail world, the essence of Supply Chain Management (SCM) is that it is a tool which helps right from planning, inventory (preparing the purchase order) to acquisition of merchandise from manufactures and ultimately reaching the appropriate customers. Therefore, SCM is a seamless process where the activities enumerated above are interconnected in utilizing the power of IT to optimize the each step in the process and reduce the cycle-time.

Previously, individual activities of SCM process – for instance, warehousing, distribution, transportation (inbound and outbound) etc. – were done separately. Later, the process moved on to logistics where every activity was carried out in a logical sequence following a specific timetable. Now, an information backbone supporting the SCM process has helped retailers in greatly reducing cycle times and attaining efficiency.

3.7.1.1 Efficient Inventory Planning

Efficient inventory planning enables a retail organization to achieve its strategies and benchmarked standards of customer deliveries, at the same time reducing supply chain expenses. Inventory planning has already been discussed in the Unit on merchandising. The concept of beginning of month (BoM) and end of moth (EoM) inventory are essential for forward planning. This process also requires sales forecasts and efficient OTB (Open to Buy) plans. In a retail store, efficient inventory planning achieve following benefits.

- (i) Optimization of purchase control
- (ii) Achievement of planned stock terms
- (iii) Ensuring freshness through 'JIT' (just-in-time) concept
- (iv) Achievement of customer delight through multitude of product offer.

3.7.1.2 Pre-Purchase Order (PPO) and Purchase Order (PO)

Once the inventory planning for specific retail season is completed, most retailers follow two step processes. The first is to build a tentative plan of purchase which is placed to an appropriate vendor through a final purchase order.

Second, once the season commences and sales become visible, the PPO quantity is confirmed from time to time through confirmed purchase orders for actual supply.

3.7.2 Integrated supply chain management

The power of information technology is harnessed to achieve end-to-end integration of supply chain functions and elements. The fundamental aspect of integration of supply chain implies that as and when a customer purchases an item at retail store, there is trigger at manufactures of that item to produce more. Many a benefit accrues if supply chain is integrated. Some of them are as follows:

- i) Inventory reduction
- ii) Faster fulfillment in terms of time

- iii) Productivity improvement at retail level
- iv) Better capacity utilization at manufacturer level
- v) More accurate sales and therefore procurement forecasts

All the above lead to lower supply chain costs and better experience for a retail customer.

3.7.2.1 Vendor Management

An optimum vendor management implies that one selects an appropriate vendor who has following attributes:

- i) Capacity to provide right quantities
- ii) Ability to provide them at acceptable standard of quality
- iii) Deliver the goods both in quantity and quality at the present timelines

Therefore, the efficient vendor management enables a retailer to achieve right 'hit ration'. This ration is in fact a measure of gap between the deliveries made at a store to the time the purchase order was placed to the vendor. In good and efficiently managed supply chain; 'JIT' (just-in-time) delivery is made at store by good vendors.

This leads to the concept of 'VMI' (Vendor Managed Inventory) which is very useful to retailers, as for them it eliminates the costs of inventory management. In this concept vendors manage every aspect of flow of supply chain and manage every aspect of supply chain information flow leading to 'JIT' deliveries. Application of 'VMI' also implies that suppliers are able to withdraw slow-moving or non-moving products, thereby lessening the markdown losses for outlet and optimize their profitability.

3.7.2.2 Electronic Data Interchange (EDI)

Electronic Data Interchange (EDI) is an information technology based technique which leads to structured transmission of data between organizations. It is based on principle of trust and contractual obligations. Integration of sales, inventories and reorder supplies between retailers and vendors are easily achievable as using EDI obviates physical exchange of documents. The EDI process is achieved through web-enabled servers and also seamlessly connects with the organization's ERP.

3.7.2.3 Warehouse Management

The retail warehouse management is a key component of efficient retail supply chain management. The retail warehouse (also referred as distribution centre (DC) is used for following critical functions:

- (a) Receipt of ordered product stocks
- (b) Carrying out checks on price of merchandise and putting MRP tags as well as REID or other security tags
- (c) Checking quality and quantity of products both upon receipt and dispatch
- (d) Transportation of merchandise to retail store locations

- (e) Receipt of returned or defective merchandise from retailer
- (f) Transportation of returned merchandise to vendor for either refinishing or returns.

3.7.2.4 A Goods Received Note (GRN)

Goods Received Note, popularly known as GRN is a formal document which is prepared upon receipt of product at retail warehouse from vendors/manufacturers. This is done after quantity and quality parameters are checked against information provided in the purchase order (PO). In most SCM systems GRN is used as the instrument to trigger payment process to vendor from the receiver accounts department. Post preparation of GRN material is tagged and properly binned in the warehouse.

3.7.2.5 Inter-Transfer Note (ITN)

Inter-Transfer Note usually referred to as ITN is prepared when merchandise is shipped from warehouse to the retail stores. There is also a concept of reverse ITN (or ITN out) which is prepared by retail stores when products are returned to warehouse by them. This ITN out is the instrument used by retailers to trigger a debit note to the suppliers / vendors account department.

3.7.2.6 Transportation

Efficient and proper transportation is a key to meet delivery schedules of retailers to meet their timely need of merchandise. This delivery is time lined as per purchase orders or replenishment orders. Multi modal transportation is used depending on quantity and type of merchandise to achieve cost efficiency as well as speed of delivery.

3.7.2.7 Efficient docking

Efficient docking in retail SCM refers to optimization of space utilization in a warehouse. Docking plans or layouts are usually developed on first-in-first-out (FIFO) principle. This ensures prevention of ageing of merchandise specially needed when perishables are docked. Further advancement in docking of merchandise especially needed for apparel trade is to do it ready to sell state, for example, garments on hangers.

3.7.2.8 Value Chain

In fact the concept of an efficient SCM is akin to value chain where value addition is done at every process step to enhance its efficiency. Therefore, time to time re-engineering is done to debottleneck any steps. Many value added features, specially using power of modern technology, are introduced to achieve cost-efficiency and timely deliveries. Since SCM is the heart of retail operations, it is important that it addresses 4R's of retail success

- i. Right Product
- ii. Right Place
- iii. Right Time
- iv. Right Cost

3.7.2.9 Efficient Consumer Response (ECR)

The whole point of having efficient Supply Chain Management for retail is to have efficient consumer response time. Now to this, there has been development which is known as demand driven replenishment system. The trigger for replenishment is based on consumer demand pattern which in turn can be obtained from transactional information residing in point of sale terminal. With the development of information technology and appropriate software for an integrated supply chain, this information can be fed to link all the players in the logistic chain. This leads to a large flow through distribution network leading to timely delivery of merchandise or services thereby enhancing the efficient consumer response rate.

3.8 RETAIL PRICING DECISIONS

Price is an integral part of the retail marketing mix. It is the factor, which is the source of revenue for the retailer. The price of the merchandise also communicates the image of the retail store to the customers. Various factors like the target market; store policies, competition and the economic conditions need to be taken into consideration while arriving at the price of a product.

- The first factor to be taken into consideration is the demand for the product and the target market. Who is this product meant for and what the value proposition for the consumer is. In some cases, the price of the product is linked to the quality. This is generally in the case of products like electronics, where a high priced product is perceived to be of good quality. On the other hand, for products like designer clothing, a certain section of the population may be willing to pay a premium price. Hence, it is very essential that the buyer is clear about the target market for the producer and the value proposition that they would look for.
- The stores policies and the images to be created also influence the pricing of a product. Retailers who want create a prestige image may opt for a higher pricing policy, while the retailer who wants to penetrate the market, may decide to offer a value for money proposition.
- Competition for the product and the competitor's price for similar product in the market also need to be taken into consideration. In case the product is unique and does not have any competition, it can command a premium prices on the other hand, in case there after a fair number of similar products in the market, the prices of such product need to be taken into consideration before fixing the price.
- The economic conditions prevalent at the times play a major role in the pricing Policy. For example, during an economic slowdown, prices are generally lowered to generate more sales. The demand and supply situation in the market also affects Prices. If the demand is more than the supply, prices can be premium, however, when supply is more than the demand, prices had to be economical.

3.8.1 Retail pricing objectives:

Retailers are supposed to determine their objectives as first step in pricing. When deciding on pricing objectives retailer needs to consider:

- 1) The overall financial, marketing, and strategic objectives of the retail business;
- 2) The characteristics of product or brand;
- 3) Consumer price elasticity and price points; and
- 4) The resources available.

With these broad objectives, the retailer could be trying to fulfill four specific objectives such as:

1) Profit-Objective

The retail store may price its product with the objective of maximizing profits in the short run or long run or both. The objective of profit maximization must be studied carefully because: it may lead to unethical practices such as overcharging or deceiving the customers. This in turn may lead to some form of intervention by either the government or consumer groups (NGOs). At other times, the marketer may price his products with the objective of obtaining only a target rate of return on his investment. This is particularly so with products in the mature stage of the product life cycle.

2) Market Share-Objective

The retailer or marketers may also price his product with the, intention of increasing his market share, or stabilizing his market share. He can set the price of his product lower than that of his competitors.

3) Competitor-Oriented Objective

The retailers or marketer may price his product to counter any existing or prospective move by his competitors. Retailer may deliberately price its merchandise low to:

- Discourage potential retailer from entering the market,
- Advance the exit of the potential competitors and marginal firms from entering the market,
- Spoil the market of retail competitors with the eye on getting future benefits.

With a low price, the marketer can prevent price-cutting by competitors. At other times, the retailers may cooperate with his competitors by setting a common price. A good example of this type of pricing is very common among traditional business centers in India where all retailers dealing in similar merchandise set similar common prices. This practice is common among retailers of Beauty salons, Garment Retailers and Grocery etc.

4) Buyer-Oriented Objective

Another pricing objective adopted by retailer may be buyer-oriented. The aim of such pricing is to maintain socially acceptable prices and to be fair to customers. The prices of goods of super bazaars Margin free (Kerala) and Rythu (Andhra Pradesh) can be considered buyer-oriented as these retail chains practice the professed pricing objectives of bypassing intermediaries and sharing savings with the ultimate consumers. Most of the five star hotels stress on the kind of ambience and services extended by their hotel, as these are of prime concern to their customers. Tanishq, the jewellery retail chain, emphasizes on the other elements of the marketing mix, such as heavier promotion and advertising, as well as highlighting the quality and the characteristics of their offerings primarily to justify the relatively higher prices charged by them.

5) Government-Oriented Objectives

The pricing of some products may be constrained by existing laws or may be influenced by government action. The prices of petrol, grocery items, vegetables in India are, to a large extent, controlled and influenced by government action. Consumer Protection Act 1986, Indirect Tax provisions and MRTP has a bearing on the pricing of the merchandise.

6) Product-Oriented Objectives

The retailers or marketers at times make their offerings more "visible" by means of pricing. Customers are usually attracted by the advertisements in newspapers highlighting special offers and discounts. With a lower price, the retail store can therefore catch the attention of buyers and this will help him to introduce new offerings, increase the sale of weak products etc. Many of the retail stores in India such as Big Bazaar are using these pricing techniques.

3.8.2 Retail pricing strategies:

Pricing strategies affect both margins and positioning of the retailer. Various pricing strategies can be followed by the retailer depending on his business objectives, the influence of other external factors and the impact of the pricing strategy on other aspects of the marketing mix.

Every Day Low Pricing (EDLP)

EDLP has been popularized by large international retailers like Wal-Mart and Home Depot. This strategy demands stability of retail prices below MRP (maximum retail price)-mentioned on the goods i.e. at a level somewhere between the regular price at which the goods are sold and the deep discount price offered when a sale is held. In India, many co-operative stores have adopted this strategy. One store that uses EDLP is Big Bazaar. Here, goods are either sold below their normal prices, or some sales promotion scheme is available. Subhiksha also possesses the essentials of a discount store. Most of these retailers have discovered the benefits of adopting this EDLP strategy such as:

- Less reliance on price reduction by retailers
- Reduced need of advertising
- Improved customer service
- Better inventory management

High Low Pricing

In High/Low pricing, retailers offer prices that are sometimes above their competition's ELDP, but they use advertisements to promote frequent sales. Nowadays, retailers also use sales to respond to increased competition and a more value-conscious customer. Some of the benefits of adopting such a strategy are:

- Same merchandise can be used to target different segments
- Interest is created amongst customers
- A quality image is created

Leader Pricing

Retailers sometimes price particular fast moving products at a lower price to attract customers to the store. For example: A grocery retailer can sell eggs cheaper than other competing stores so that customers consider him while purchasing foodstuff. Since the customer is also likely to buy milk, bread, flour etc along with eggs, these products are priced slightly higher. So, the profit foregone on eggs is more than recovered on other items of groceries.

Sometimes, the fast moving products are sold at cost, or even at a loss. So, these are also called loss leaders. If the sale of other profitable products is insufficient to cover the losses incurred on sales of loss leaders, then this strategy can backfire. The retailer normally chooses his own store brands for higher pricing.. Items such as pulses, rice, flour, etc are priced higher because it is also not easy to compare the price against quality offered by other stores.

Skimming Pricing

Price skimming is a pricing strategy in which a retailer sets a relatively high price for a product or service at first, and then lowers the price over time. It allows the firm to recover its sunk costs quickly before competition steps in and lowers the market price. However positive, there are some potential problems with this strategy such as:

- The inventory turn rate can be very low for skimmed products.
- Skimming encourages the entry of competitors. When other retailers see the high margins available in the industry, they may decide to quickly enter.
- The retailer could gain negative publicity if he lowers the price too fast and without significant changes in product profile.

Penetration Pricing

Penetration pricing is the pricing technique of setting a relatively low initial entry price, a price that is often lower than the eventual market price. The expectation is that the initial low price will secure market acceptance by breaking down existing brand loyalties. Penetration pricing is most commonly associated with the marketing objective of increasing market share or sales volume, rather than short term profit maximization. Price Penetration is most appropriate when

- Product demand is highly price elastic.
- Substantial economies of scale are available,
- The product is suitable for a mass market.
- The product is likely to face stiff competition.
- There is inadequate demand in the low elasticity market segment for price skimming.

Price Lining

Price lining refers to the offering of merchandise at a number of specific but, predetermined prices. Once set, the prices may be held constant over a period of time, and changes in market conditions are adapted to by changing the quality of the merchandise. A limited number of predetermined price points are set at which merchandise may be offered for sale-e.g., Rs. 79.50, Rs.109.50, Rs.149.50.

Psychological Pricing

Psychological pricing is a method of setting prices intended to have special appeal to consumers. This can be conducted in several ways to name a few,

Prestige Pricing

Prestige pricing uses high prices to convey a distinct and exclusive image for the product. This is done in order to evoke perceptions of quality and prestige with the product or service. 'Various clubs like Gymkhana Clubs and DLF Golf Club price their products to indicate exclusivity. Similar strategy is followed by five star hotels like Taj and Radisson in terms of their menu offerings. For instance a glass of coke at Radisson could cost close to Rs. 75400 and Kababs at its famous Kabab Factory at Rs. 800-1000.

Reference Pricing

Reference pricing uses consumers' frame-of-reference that is established through previous experience purchasing the sports product or high levels of information search.

Traditional Pricing

Here, traditional pricing uses historical or long-standing prices for a sports product to determine the pricing.

Odd-Even Pricing

This is quite a popular. Here the prices are set at odd numbers (e.g. \$9.95) to denote a lower price or a "good deal" or setting prices at even numbers (e.g., \$10.00) to imply higher quality. Many discounters like Big Bazar in India and Wal-Mart in USA use odd prices to denote lower prices. Many retailers in Japan use even pricing to denote quality - a very important issue with Japanese consumers.

Apart from these, few other popular strategies of setting retail prices are:

Multiple Unit Pricings

Retailers use multiple unit pricings to encourage additional sales and to increase profits. The gross margin that is sacrificed in a multiple unit sale is more than off-set by its, savings that occur from reduced selling and handling expenses.

Bundle Pricing

It is the practice of offering two or more different products or services at one price. Price bundling is used to increase both unit and rupee sales by bringing traffic into the store. It can also be used to sell less desirable-merchandise by including it in a package with a product of great demand. Like a hotel can offer a 2 days stay for Rs.5000/- inclusive of lunch, even though separately these two items (stay and lunch) would cost more than Rs.5000/-. In many cases a retailer may bundle a set of extra-large T-shirts with large size T-shirts to promote the sale of the slow moving item. Same strategy is sometimes used for low selling shoe sizes.

Pre-emptive Pricing

Pre-emptive pricing is a strategy_ which. Involves setting low prices in order to discourage or deter potential new entrants, to the retailer's market, and is especially suited to markets in which the retailer does not enjoy any market privilege and entry to the market is relatively straightforward.

Extinction Pricing

Extinction pricing has the overall objective of eliminating competition, and involves setting very low prices in the short term in order to 'under-cut' competition, or alternatively keep away potential new entrants. The extinction price may, in the short term, be set at a level lower even than the suppliers own cost of production, but once competition has been extinguished; prices are raised to -profitable levels.

Perceived-value Pricing

A method of pricing in which the seller attempts to set price at the level that the intended buyers value the product. It is also called value-in-use pricing or value-oriented pricing. If the perceived value is high the retailer can charge a premium price for the product. The example of well-established traditional independent retailers in small townships can be cited in this respect. They charge a premium price on their offerings because of quality and variety offered to their customers. Kala Mandir, the ethnic women apparel

store in Ludhiana, provides exclusive collection of sarees and ladies suits to their customers at prices above the market average.

Demand-Oriented Pricing

A method of pricing in which the seller attempts to set price at the level that the intended buyers are willing to pay. It is also called value-in-use pricing or value-oriented pricing.

Fixed and variable Pricing

Most firms use a fixed price policy i.e. they examine the situation, determine an appropriate price, and leave the price fixed at that amount until the situation changes, at which point they go through the process again. The alternative has been variable pricing, a form of first degree price discrimination, characterized by individual bargaining and negotiation, and typically, used for highly differentiated - items, like real estate, unbranded garments, fresh vegetables and fruits etc. In India there are certain markets which are well known for bargaining e.g. Gaffar market in Delhi, Fashion Street in Bombay, Ranganathan Street in Chennai, S.M street in Kozhikode, Kerala. There are some shops in markets like Sarojini Nagar and LalpatNagar in Delhi which specifically advertise that they do not bargain and have a "Fixed Price"

Considering all the above choices of pricing strategies, it is observed that very few retailers have a clear cut, simple to understand pricing strategy. It differs from time to time, product to product, location to location. Take a look at the below table to familiarize yourself with some of the issues faces by retailers while setting a price.

3.8.3 Methods for setting retail prices:

Generally one of the following three methods could be used for setting retail prices - cost oriented, competition oriented and demand oriented method.

1) Cost Based Method

This is the most fundamental method of setting prices. The retailer adds a standard mark up to the cost of goods to arrive at the selling price. This is a fairly simple approach an easy to implement. However, it ignores the prices set by competitors and the demand for the product.

2) Competition Based Method

This method means closely matching the prices of competing retailers. This method is very easy to implement, as it does not need forecasted demand as in the case of demand oriented pricing. A retailer merely follows his competitors and cannot differentiate himself from his peers. It does not allow a retailer to maximize profits because demand and costs are not considered while pricing.

The competitive markup method is used to price the goods similar to those of the competitors. In effect, the markup is controlled by competitors and it fluctuates based on what the competitors are charging for their products and services. Retailers can price

either above, below or at parity with the competition. A low-cost provider would try to price below competition while a retailer with high quality image, unique merchandise, etc would price above competition. Stores like Shoppers Stop, which has a significant brand image, sell above competitor's prices.

3) Demand Oriented Pricing

Demand oriented pricing should be ideally be used along with cost-oriented pricing. When these two are used in conjunction, the retailer can not only consider their profit structure but also the impact of price changes on sales. For example, if the customers are insensitive to price (the demand is price inelastic), an increase in prices would result in higher profits, as sales would decrease insignificantly. Similarly, if customers are price sensitive, a decrease in prices would actually result in greater profits, as sales increase much more to offset the decrease in prices. Demand oriented pricing, therefore, seeks to maximize profits.

3.9 CASE STUDY

Home Depot in New York City:

Home depot's first store in Manhattan has the distinction of being the chain's first three story unit, as well as its first one with a doorman and concierge. The new store caters to multiple markets: decorators, building contractors and superintendents, brownstone owners, and households that own or rent individual apartments, as well as suburban commuters. As Home Depot's Eastern division president notes, this is "the first time we've done all this under one roof".

Before its Manhattan expansion, Home depot successfully opened and managed stores in downtown Detroit, downtown seattle, and the Lincoln Park neighborhood of Chicago. These stores are a clear indication that Home Depot is seeking growth opportunities outside suburban markets and that it is able to tailor its merchandise selections to meet the need of urban customers.

Since the new Manhattan store is in a Landmark preservation area, its store exterior cannot be modified. So instead of large permanent signs, the store's signage consists of orange-color banners. The store stocks 20,000 different products; special ordering capability will increase this number to 100,000 products. The selection in many product categories is unparalleled for both Home Depot and for Manhattan shoppers. For example, the store offers 1,000 different varieties of lighting fixtures; 500 of these are in stock. And customers can choose among 2,000 different types of flooring, including area rugs priced from \$200 to \$8,000. Lastly, the store offers 3,200 different paint colours that can be mixed from its nine paint mixing stations. Despite the large selection of these items, the store does not have a large department and does not stock plasterboard, insulation, or plywood. These items require special orders.

The store's Chelsea neighbourhood location, which used to be full of independent retailers, now has such retail category killers as Old Navy, Staples, Bed Bath & Beyond

and Best Buy. The trend of large retailers coming to this area has some independents concerned. Others, however, feel that stores like the new Home Depot will increase sales for all merchants in the neighbourhood due to the cumulative attraction of chain and independent retailers.

The idea of the doorman for Home Depot stemmed from the need to help get customers a taxi or to help load their car. The concierge offers directions to a product's location and sends customers to the proper aisles. All signs in the store are in English, Spanish, and Mandarin to appeal to the diverse clientele.

Home Depot is committed to pricing its products at this location at the same levels as other locations in the New York City area; however, prices will be higher than for its typical suburban locations. According to one retail analyst, "Manhattan is a bit of a different animal. Costs of occupancy and payroll are greater, and the challenges of the Manhattan landscape include traffic, the times that people shop, getting it all into the store, and getting it all out to the customers".

Questions:

1. Discuss the differences in trading-area size and characteristics for a downtown versus a suburban location for Home Depot.
2. Describe how location and site selection would vary between downtown versus a suburban location for Home Depot.
3. Beyond the factors mentioned in this case, how should Home Depot adapt its Manhattan stores to the community?

3.10 SUMMARY

This unit discusses the different choices of retail location, atmospherics, positioning and retail store image. In particular this unit dealt with the internal and external atmospherics in an elaborate manner. Retail supply management and service quality are also dealt in this unit. Retail pricing methods and pricing strategies also discussed.

3.11 ANSWER TO CHECK YOUR PROGRESS

1. This is a rural retail market, which is now very popular in the Indian cities. Mostly held in residential areas or neighbourhood markets on a particular weekday, these markets attract a large cross-section of people looking for convenience goods at very low rates. The retailers operating in these markets have mobile set-ups which they keep moving from one market place to another depending on the day of the week. Most of these markets operate in evening hours and are known in different localities by different names—often derivatives of the week day on which they are held. For example, somwari for Monday market, shani bazaar for Saturday market, etc.
2. A marquee is usually a painted or neon light displaying only the store name or the store name along with the trademark and other important information of a retail storefront or entrance. In India, many independent retailers used painted tin boards placed outside the store front. The quality of marquee influences the image of the store perceived by the customers. Pizza Hut, McDonald's, and Barista are widely acknowledged marquees.

3. Services in a retail store are usually delivered at three levels: I) Pre-transaction II) Transaction and III) Post transaction
4. The 4R's of retail are
 - i. Right Product
 - ii. Right Place
 - iii. Right Time
 - iv. Right Cost
5. Every Day Low Pricing has been popularized by large international retailers like Wal-Mart and Home Depot. This strategy demands stability of retail prices below MRP (maximum retail price)-mentioned on the goods i.e. at a level somewhere between the regular price at which the goods are sold and the deep discount price offered when a sale is held. In India, many co-operative stores have adopted this strategy. One store that uses EDLP is Big Bazaar.

3.12 QUESTIONS / EXERCISES

1. Briefly discuss the different types of location available for the retailers.
2. Briefly explain about the retail positioning.
3. What is atmospherics? Explain it in detail.
4. Briefly explain about the integrated supply chain management.
5. Supply chain management is a progression in the value chain from sourcing to satisfying customer needs. Discuss.
6. Discuss the retail pricing strategies.

3.13 FURTHER READINGS

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UNIT - IV

Structure

- 4.1 Visual Merchandise Management
- 4.2 Unit Objectives
- 4.3 Space Management
- 4.4 Retail Inventory Management
- 4.5 Retail accounting and audit
- 4.6 Retail Store Brands
- 4.7 Retail Advertising and Promotions
- 4.8 Retail Management Information System
- 4.9 On-line retail
- 4.10 Emerging Trends
- 4.11 Case Study
- 4.12 Summary
- 4.13 Answer to Check Your Progress
- 4.14 Questions / Exercises
- 4.15 Further readings

4.1 VISUAL MERCHANDISE MANAGEMENT

4.1.1. Introduction

Retailer always attempts to offer the **Right Quantity** of **Right Merchandise** in the **Right Place** at the **Right Time** and at the same time meeting the organizations financial objectives. Merchandise management is the science of evaluating human behaviour and buying habits in order to determine the best way to stock, display, and sell goods at Retail Stores. The way in which Retailer's manage their merchandise has changed extensively over the last three decades. Retailer s are now better equipped to analyse and understand sales and consumer information.

Visual Merchandising is the art of displaying merchandise in a manner that is appealing to the eyes of the customer. It sets the context of the merchandise in an aesthetically pleasing fashion, presenting them in a way that would convert the window shoppers into prospects and ultimately buyers of the product. Passion for design and creativity are essential to be a good visual merchandiser. According to Gini Frings "Visual Merchandising is the means to communicate a store's fashion, value, products, and quality message to prospective customers so as to entice them to buy from the store on a sustainable basis".

4.1.2. Visual Merchandising - Meaning

Merchandising involves acquiring the required goods, placing them with due prominence on the designated shelf, setting price for the goods that helps the retailer in reaching the goal that has been set.

Visual Merchandising has been around since the dawn of civilization, since humans started selling merchandise to a customer. Visual Merchandising has become more sophisticated and more encompassing than arranging merchandise for easy access to customers. Visual Merchandising elements are put into practice from designing the floor plan of the store to the beautiful mannequins that grace the store floor.

In large stores thousands of items are kept for sale. Retailers often try to keep complimentary products that assist in each other's sales like, TV sets, DVD players. Merchandising becomes a vital part of stores operation as the success of store depends mainly on the products sold there. Visual merchandising is hence much more than functional configuration of space, layout and consumer flow. It is also a powerful communication and an experience enhancer and differentiator of the displayed merchandise even when product similarities are overwhelming. Visual merchandising includes window displays, signs, interior displays, cosmetic promotions and any other special sales promotions taking place. Visual merchandising also provides a differentiated shopping experience and hence increases the probability of brands getting purchased at the point of differentiating experience. Visual merchandising adds value to many products where prices are not universal and the same is highly profitable when it comes to store brands and private labels.

4.1.3. Merchandise display-meaning:

Merchandise displays are special presentations of a store's products or services to the buying public. The nature of these displays may range somewhat from industry to industry, but all merchandise displays are predicated on basic principles designed to increase product purchases. Indeed, merchandise displays are an integral element of the overall merchandising concept, which seeks to promote product sales by coordinating marketing, advertising, and sales strategies. Many business consultants consider that small business owners are among the leaders in ground-breaking merchandise display strategies. By their very nature, specialty stores depend on their fixturing to generate a differentiation or niche in the marketplace and being physically smaller in some cases allows for faster response to market trends and conditions such as, successful retailers today are using their fixturing to productively dispense their merchandise and communicate an appropriate environment on the retail floor."

4.1.4. Types of Visual Merchandising Displays:

There are various types of Visual Merchandising Displays which are as follow:

a) Window display - Window display essentially has to reflect corporate identity and should be visually powerful to invite, as "I must possess it". These are broadly of two types depending on the back end of the display put up:

- (i) Closed-back window displays
- (ii) Open back window displays

b) Interior display - It should relate to the theme seen in the windows. It effects the movement and traffic of customers and should lead to a total, effective and ergonomic visual concept of the store aiding a pleasant experience.

c) The trend away from window - Isolated displays are less frequently in use as too much of time and expense and far from the merchandise to which they relate. However as means of non-store visual merchandising, especially at Airports, leading premium end stores often puts up isolated visual merchandise displays.

d) Point of purchase Display - It refers to a display or merchandise presentation at the point where an act of purchase happens and the sale is made. The display is designed to promote a particular product or brand name.

e) Industrial and exhibition visual merchandising- Industrial and exhibition visual merchandising refers to many formats of visual merchandising. These are given below along with specifics in brackets, further detailing the visual merchandise displays.

- i) Permanent exhibits (at museums)
- ii) Temporary exhibits (displayed on exhibition grounds)
- iii) Travelling Displays (mobile promotions)
- iv) Outdoor exhibits (sponsored parks and store maintained public places)
- v) Industrial Products Visual Merchandising (At Factory gates or outlets)

f) Digital Signage - an emerging visual technology trend - Digital signage has emerged as one of the most novel and versatile of visual merchandising formats and the same is employed either on the net or over a screen in the store. Varied interfaces are designed for an optimum interface of the consumer with the visual merchandise (virtual tours etc.). What cannot be achieved in real tangible domain can be created in the realm of virtual reality with the help of technological devices equipments and software. Hence the high values add through a surreal addition to the tangible merchandise. As much as 80% of all sales are generated at point of purchase by signage, displays and events within the store. This far outweighs any other type of promotional or marketing event. Signage is the "silent salesperson" for the retailer and must reflect your image.

There are four different types of signs:

- ◆ **Promotional signs:** For off-price events or specials.
- ◆ **Location signs:** For direction to specific departments.
- ◆ **Institutional signs:** For store policies, charitable events.
- ◆ **Informational signs:** For product related features/ benefits/prices.

4.1.5. Basic Formats of Merchandise Display:

Merchandise displays generally take one of several basic forms as discussed below:

a) **Storefront Window Displays:** These typically open on to a street or shopping mall walk or courtyard and are intended to attract passers by that might not otherwise enter the store.

b) **Showcase Displays:** These typically feature items that (i) are deemed to be too valuable for display in storefront set-ups, or (ii) are niche items of high interest to the business's primary clientele. These display centers are usually located in high traffic areas and typically feature multiple tiers for product display and a sliding door on the clerk's side for access.

c) **"Found-Space" Displays:** This term refers to product presentations that utilize small but nonetheless usable areas of the store, such as the tops of product carousels or available wall space. Storefront window displays and "found space" displays are particularly popular tools for publicizing and selling sale items.

Important Tips on Merchandise Display:

The effectiveness of these cornerstones of merchandising display strategy can be increased by remembering several other tips as well, including the following:

- ◆ Allocate merchandise display space and expenditures appropriately in recognition of customer demographics. If the bulk of your business' customers are males between the ages of 20 and 40, the bulk of your displays should probably be shaped to catch their interest.

- ◆ Be careful of pursuing merchandise display designs that sacrifice effectiveness for the sake of originality.

- ◆ Make certain that the cleanliness and neatness of the display is maintained.

- ◆ Do not overcrowd a display. Customers tend to pass over messy, busy-looking displays. Instead, Ralston and Foster affirm that "a display should feature a single item or point of interest.... Every primary article [in a display] must interact with every other so that they all come together as a group."

- ◆ Combine products that are used together in displays. For example, pairing ski goggles with other outdoor apparel is apt to be more effective than placing it alone or with some other product that is only tangentially related to skiing.

- ◆ Small items should be displayed in a way so that would-be customers can get a good look at them without having to solicit the help of a member of the staff.

- ◆ Pay attention to details when constructing and arranging display backgrounds. For example, Foster and Ralston counsel business owners to "avoid dark backgrounds when customers will be looking through a window, since this makes the glass behave as a giant mirror."

- ◆ Merchandise displays can sometimes be utilized to educate customers. A well-Managing Merchandise conceived display could, for example, illustrate a product use that may not have occurred to most customers. "In addition to selling actual merchandise,

display can be used to introduce a new product, a fashion trend, and a new 'look' or idea," explained Martin Pegler in *Visual Merchandising and Display*. "Display can be used to educate the consumer concerning what the new item is, how it can be worn or used, and how it can be accessorized. The display may also supply pertinent information, the price, and other special features." All of these considerations need to be weighed when putting together a merchandise display. But ultimately, the final barometer of a display's worthiness is its ability to sell products. As Martin Pegler bluntly stated, "The test of a good display today is: *Does it sell?*"

4.1.6. Components of Visual Merchandising:

There are certain things which a retailer needs to take care while proceeding with the process of displaying his products. These components when combined together in a proper ratio will make a successful outcome. The components of visual merchandising are as follow:

- a) **Make merchandise the focal point:** The main goal of display is to showcase the products within the overall display area. Customers give three to five seconds of their attention to window display. The retailers' visual message should be conveyed to the customer in that short period of time. The arrangement of window display should go with the product and should not suppress them to make it discernible to the eye.
- b) **Right choice of colours is vital:** Colour is one of the most powerful tools in the Visual Merchandising segment. It is a visual perceptual property. Colours can be associated with emotions, special occasions and gender. It attracts attention and pulls more customers into the store. A retailer has to focus on the right choice of colour that would match with the theme of display. It is not possible to satisfy everyone all the time, but it is possible to cultivate the taste of customers gradually and purposefully. A right choice of colours in the display items can turn walkers into stoppers and significantly convert them into customers. It is therefore mandatory to choose the right colour for the right theme of display.
- c) **Display themes appropriately to support the product:** A theme is a display of sale items of similar categories e.g. a display of kitchen accessories. Its essential to have themes for all retail displays. They can be romantic, wild, or capricious, and capture peoples imaginations. A good theme will lure the customer with a shopping mood into the store. Themes mainly depend upon the retailers' imagination and creativity. Focusing on the right theme rather than creating a display with expensive raw materials is the key to successful window display. A theme for display of casual wears can be a group of mannequins sitting casually at a get together in different poses.
- d) **Display should complement the retailers other strategies:** The content of the display should complement the in store environment and other marketing strategies of the retailer. If the retailer has a specific logo, the colours of the display can reflect the same color of the logo. For e.g. McDonalds display, the clown is of the same color, red and yellow as in their logo.

e) Cleanliness: Neat and clean arrangement is the foundation of an inviting a successful visual display. A beautiful display can be ruined by a cracked sign holder or an unclean display environment. Effective cleaning schedule of showcases and display fixtures is required.

f) Holiday/ Festivals Promotions - Promotion for regular merchandise occurs at, holidays/festivals. The opportunities are:

i) Valentine's Day - Displays are usually set up two weeks prior with Red and Heart as principle visual elements.

ii) Diwali - Diwali is an important festival in India and indicates 'Festival of Lights'. It is a time when people have extra income in the form of bonuses

4.1.7. Factors to be considered in Visual Merchandise:

When buying store fixtures and display merchandise for a retail store, a number of factors must be considered to be able to make the best possible choice.

Some of the key factors are discussed below.

- 1. Product Line:** Characteristics of merchandise need to be considered while deciding the fixtures to be used for display. Wooden racks or shelves can be effectively used for apparel or packaged FMCG products. However, mirrored showcases are preferred for jewelry or gift items sine they ensure better safety and presentation.
- 2. Customer Profile:** Retailers have to take into consideration the profile and expectations of its target segment. Stores, which primarily cater to functional rather than hedonic needs, do not require very fancy fixtures. Hence they can reduce intensive investments in fixtures and pass on the benefits to the customer. Examples of such stores are kirana shops, chemist store, and other neighbourhood stores. Many smaller eating joints and dhabas use inferior quality or low cost furniture and fixtures. This is done keeping in mind the socio-economic profile of its customers. Stores targeting the high-end customers invest a lot in fancy and unique fixture design and arrangement to generate an exciting and inviting store environment, thereby attracting customers and building its store image.
- 3. Level of Competition:** Level of competition is a significant factor in determining the kind of fixtures to be used by a retailer since it provides him with a unique selling proposition. For instance, most of the eating joints and garment stores in urban centers of India were using very limited display options. However the advent of international players such as McDonald's, KFC, Marks and Spencer, Benetton, Levy etc. the more up-market retailers are pushed to refurbish their display and interiors to keep pace with competition and continue to attract customers.

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Case study:

Big Bazaar: The Brand Building Challenge

The Big Bazaar brand name is in its growth stage. Pantaloon group faced various small and large scale troubles in the introductory stage of the brand. Present years are the high growth in retail sphere as market has high potential to sustain growth. The sales are increasing, more and more firms are coming to markets, foreign players are entering into retail sector and finally presence of organized retail is increasing in retail sector. Factors that shaped Big Bazaar during its life cycle Influence of Saravana Stores located in Theyagraha Nagar, Chennai. Many people think that Big Bazaar was inspired by Wall Mart but the truth is that Kishore Biyani (KB) and his team members are neither inspired by US ways of doing retailing nor they have been to US much. The credit for foundation and inspiration goes to Saravana Store, a family-run 25 years old store, whose philosophy was – low margin, high turnover. In that store, food, groceries, clothes everything had a separate section. It had around 120 people just to manage crowd. The single shop was doing business of more than 200 crore per year. This shop was the template for Big Bazaar.

4.2 UNIT OBJECTIVES

After Studying this unit, you should be able to:

- define the term 'Visual Merchandising'; describe the various types of visual merchandising displays; identify the components of visual merchandising; explain the variables in visual merchandising;
- Find the space used in retail; how to optimally utilize the retail store space; explain various issues relating to maintenance of store space; challenges faced in space management.
- define the promotion in retailing, how the major purposes of promotion works, finding the various types of promotions in retail and its executions and identifying different methods of evaluating performance of promotion.
- describe e-retailing; discuss advantages and shortcomings of e-retailing; discuss the components of e-retailing; describe the challenges in e-retailing;

4.3 SPACE MANAGEMENT

4.3.1. Objectives:

Space management means and how one can accomplish spacing with relevance to store operation in a retail perspectives. This chapter provides you with relevant information on:

- ◆ identify the space used in retail
- ◆ how to optimally utilize the retail store space
- ◆ explain various issues relating to maintenance of store space
- ◆ challenges faced in space management
- ◆ finally how to avoid mismanagement in space utilization

Getting the accurate blend of merchandise and maximizing efficiency with assortments tailored to local preferences and each store's physical layout are challenging for any retailer. For regional chains competing with global giants, they are vital. Successful retail establishes with categorize the accurate position and creating the ideal occupant mix to go well with a meticulous target market, and this is a dynamic environment that we comprehend. Whether it's at concept stage or a fully-functioning shopping centre, the aim of the retailer is to adjoin significance each step of the technique.

Once a retailer decides what to buy from vendors and how much of it to allocate to specific stores, someone needs to decide where in the stores the products will sit. This is a very important step in retail since store layouts are crucial to the shopping experience. Products need to be easy to locate, near related products, and have the correct facings. Space management is about maximizing every inch of the selling floor.

The objective of the retailer is to house, display and sell products and services and realize a return on investment. Two fields that are essential for developing a retail environment are marketing and design. From the marketing field, we use sub-related fields such as consumer behavior, communications, the marketing mix and strategy. The design field is concerned with translating the marketing strategy into a three dimensional form, which takes into account all the other factors, such as function, merchandise, operations, service and image and is in essence a communication medium between buyer and seller. Ultimately it is all these factors brought together in an integrative and supportive manner that will result in the final retail concept and its success.

The success of a retail concept will also heavily depend on the training of staff on an ongoing basis, and manuals to describe how to utilize the concept. It is also dependant on a team of people, such as suppliers, advertising agency, and other professionals and so on. The concept should take into account historic data, current market realities and prediction about the future consumer and retail business environment. It also needs to be innovative and cost effective, flexible and oriented towards the target market. More importantly it also needs to differentiate itself from the competition so that customers would prefer shopping there rather than elsewhere.

Apart from it there is certain Retail Space Management software which uses influential automation, optimization, graphics, workflow and analytics in an easy-to use solution to foster enhanced decisions more rapidly. It aids teamwork across well designed groups, allows management greater visibility into imperative business metrics and improves group effort with vendor partners.

4.3.2. Skill of Managing Space

Once the inventory comes within a retail store, the subsequently gigantic thing which comes within the mind of a retailer is to make a decision where to put it and how much vicinity should be allocated to the specific product. The decision of where in the store the products will sit is very imperative footstep in retail since store layouts are crucial to the shopping experience. Products need to be straight forward to place, be near related products, and have the truthful facings. Space management is about maximizing each edge of the selling floor.

4.3.3. Store Design - Shelf Location & Space

A literal meaning of sales display is - arranging systematically saleable goods so as to attract the attention of the customer. In retail industry, product visibility of any brand is necessary to promote its sales. Many a times, space is often limited and merchandise to be displayed is more, so one needs to really utilize the space well - herein comes shelf management. Shelf management plays an important role in managing merchandise well and helps to focus on categories or products that retailer intends to promote. Buyers do not always come to the store with a preset list in their minds about the products they want to buy. We plan our shelf to ensure all products in our range are well displayed as lot of the purchase is impulsive. Also while planning our shelf we see to it that there is optimum utilization of space and maximum amount of merchandise can be displayed.

4.3.4. Visibility & Sales Promotion

Product visibility plays a major part in customers' buying decisions - 'One buys what one sees', therefore, product visibility is very important. It is a function of persistence, precision and repetition - Your message needs to be heard repeatedly to rise above the background noise of daily business. Organized retail business in India is still competing to spread its foothold in India. The modern retailers are trying to increase the consumption - to create an urge for purchase; make people buy even if there is no great urgency to purchase. Product visibility is what leads to impulse purchase inside the store. Product must be neatly stacked and visible face up.

4.3.5. Space Planning Concept

'Retail is detail', but it is difficult for a retailer to identify the most critical part of it relevant familiar terms with which fragment of detail matters the majority, at any given time, for his business. It facilitate a retailer to reflect about what factors are influencing performance in his business, and where to spotlight to formulate the most of what is working well, and sort out what is not.

After people, space is the principal asset in a retail business. Every square foot should distribute sales and gross profit returns that pay for store labor, marketing investment and logistic costs. The ultimate aim is to obtain superior profitability and hence a good return on investment. Cost effective, yet innovative, space planning solutions are used in the attainment of this aim, which go beyond aesthetic considerations.

4.3.5.1. Objectives of Space Planning

- ◆ To enable retail business, through design as a tool, to reach their growth and development objectives, by understanding their needs, developing strategies and conceptualizing facilities that are strategic and innovative, results driven, flexible and cost effective
- ◆ To have a thorough understanding of the consumer, business and social trends and combine this with specific design objectives to arrive at a three dimensional selling environment
- ◆ To recommend possible combinations of products and services
- ◆ To demonstrate how we will maximize the probability of success of the project
- ◆ To be in the business of design- designing for business, the objective of which is to assist with the turning on and inspiring people, adding value, creating desire all by enhancing the customers experience
- ◆ To see retail not only as a commercial activity but also a social activity
- ◆ To keep up to date with current and future trends which we then implement in our projects
- ◆ To take an integrated design approach in our work which takes into account all the factors which will impact on the project
- ◆ To apply retail science techniques in order to obtain maximum space efficiency and productivity

4.3.5.2. Optimizing Space Availability

Retailers face challenges from competitive discounting strategies, fluctuating consumer demand, and seasonal inventory issues. Space and Category management, originally developed to help supermarkets improve sales, has evolved into a “must have” for retailers. Companies that embrace advanced solutions to space and category management can rise above competitors, grow market share, and improve satisfaction levels by integrating intelligent forecasting and demand data.

1. Clusters Based on Similar Demand Trends

Utilizing demand data gathered from similar purchasing patterns helps planners create intelligent forecasts for specific products; these forecasts are then used to create store clusters. Clustering based on demand insight allows organizations to make allocation and replenishment decisions, as well as reduce uncertainty by having a flexible plan that can be tweaked to accommodate shifts in consumer demand for more effective product launches.

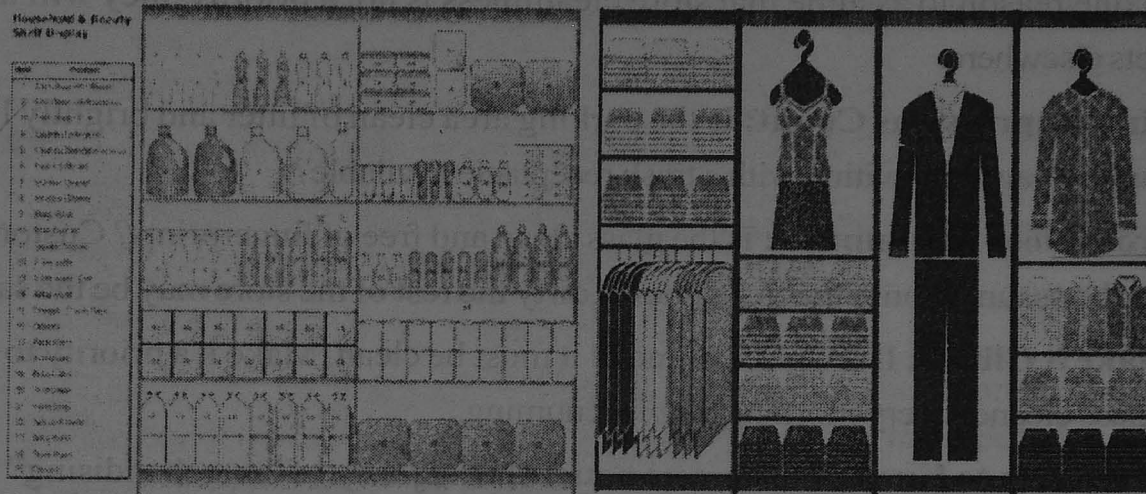
2. Accurate and Efficient Assortment Management

Intelligent forecasts help retailers determine trends in advance and plan for what products should be in what stores at a specific time. Using demand insight to drive planning allows retailers to predict trends for new and seasonal products, determine Managing Space assortments, and calculate store and shelf placement. Demand planning also allows stores to localize assortments based on the demographic of shoppers.

3. Creating Floor Plans that Increase Store Productivity

Making sure the right space is allocated which suppose to be critical to store productivity. Using an intelligent forecast to develop a floor plan allows retailers to decide

on the placement of specific products to maximize the real estate available based on future demand. High-traffic areas can be used to sell the higher demand items or promote seasonal products.



Planogram for Bottle Merchandising Planogram for Apparel Merchandising

4. Efficiently Develop Planograms for Improved Space Management

Understanding shelf space availability, along with consumer demand, allows retailers to develop a replenishment strategy to avoid excess inventory and plan for a rise in the purchasing of a product based on season or promotions. Maximizing the space available and reducing excess inventory can increase revenue and efficiency.

4.3.6. Return on Space

GMROF stands for Gross Margin Return On Floor Space - is a way for measuring of inventory productivity that expresses the relationship between your gross margin, and the area allotted to the inventory. GMROF is expressed as a percentage or rupees multiple, telling you how much returns you've gotten per area (selling feet) during a specified period.

- ◆ Gross margin return per sqft. = $\text{Gross margins} / \text{sqft}$
- ◆ % Gross margins (GM) = $\text{sales} - \text{cogs (cost of goods sold)}$

So to state the obvious the higher the GMROF the better, evolved retailers use this as a benchmark in getting efficiency of departments within a store and between stores comparison.

Strategies for GMROF increase:

- ◆ increasing the mix of pvt labels share sale
 - ◆ increasing the sell thru's better margin negotiation from suppliers and vendors
- Operational Measures
- ◆ Put your best people to sell more of the high GM category
 - ◆ Effective Use of VM (Visual Merchandising) to drive sell thru's

All this gets measured by a strong MIS back up, which makes the measurement of the same effective. Since real estate costs are one of the largest expense items for a retailer it is very important for a retailer to track how this resource is being used and how the same can be leveraged further.

4.3.7. Cleanliness of Place:

A retailer may have fabulous merchandise to sell, but if you give the customer even one reason to assume that store cleanliness is not a priority, they will take their wallets elsewhere.

- 1) **First Impressions Count:** Is the parking area clean of litter and brightly lit? Is the entrance clean and inviting with a trash receptacle available?
- 2) **Front Door Assumption:** Is the glass clean and free of fingerprints? Customers will make the assumption if the front door is dirty the rest of the store may be the same.
- 3) **Make it Glitter:** If it's glass or metal it must be clean. Make it a priority to dust and use glass cleaner every morning *after* vacuuming.
- 4) **Shoulders to Knees:** Customers notice the majority of "merchandising" between their shoulders and knees. Make those areas a priority of cleanliness.
- 5) **Behind the Scenes:** If the customer uses a fitting room, keep it spotless. 80% of a customer's buying decision happens in a fitting room. If you have a back stock area, keep it closed to the customer's eyes!
- 6) **Necessary Rooms:** Customers should be able to use your restrooms. Not only should it say "squeaky clean" to your customers but it also should say something about how you value your employees and their comfort level.
- 7) **Clutter Free:** Shipping boxes, pallets, rolling racks, shipping materials needed for the operation of the store should be out of site or neatly stored away from the traffic flow in the store.
- 8) **Ease of Shopping:** Overstocking of merchandise can be overwhelming to the customer and they can "assume" your store is messy merely because of the volume of merchandise. How easy is it to get around your store? Can you get a stroller or wheelchair easily around the store?
- 9) **Aroma:** Does your store "smell clean"? Customers can make an assumption of whether a store is clean based on what they smell? If you have become immune to any smell your store may have, ask friends or new employees to give you their opinion.
- 10) **Register Area:** The most important area of the store, no matter what kind, is the place you exchange your hard earned money for something you value, your purchase. Make it spotless!

4.3.8. How to view products:

A good way of viewing products and determining their space allocation is to consider them under 4 broad categories. They are:

Profit builders:

These are product categories with high profit margins but low sales. The space needs to be adjusted so that you focus on quality space rather than quantity space – so putting these products in a secondary hot spot might just pay off.

Star performers:

These are product categories where sales and profit margins exceed targets. You therefore need to give them a large amount of good quality space – primary hot spots. You should consider increasing the number of products within these categories.

Space wasters:

We all have these I'm sure! They will generally be product categories that have low sales and low profit margins! Do you need them? If you think you do then they should not be displayed in primary and secondary locations. Consider putting them at the top or bottom of shelves, but make sure that they are well signposted.

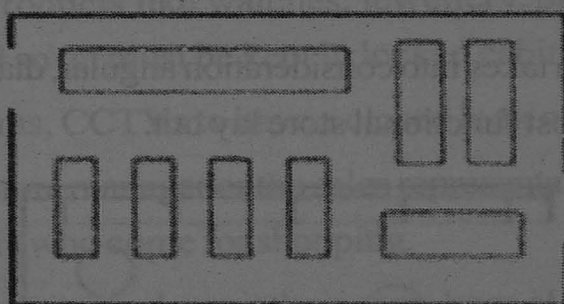
Traffic builders:

These are product categories that have good level of sales but profit margins are small. These products need to be displayed close to impulse lines but also work on improving their margins – maybe negotiating better deals or charging a higher price.

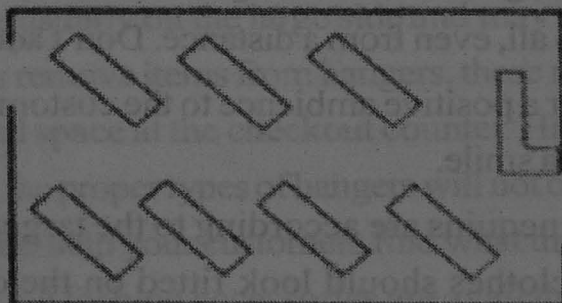
4.3.9. Store Design and Layout - Different Floor Plans and Layouts:

Floor Plan: The retailer must plan out each and everything well, the location of the shelves or racks to display the merchandise, the position of the mannequins or the cash counter and so on.

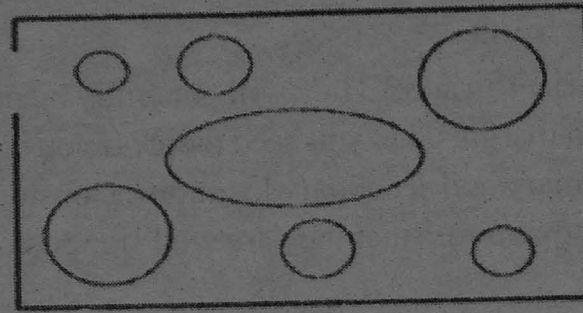
1. **Straight Floor Plan:** The straight floor plan makes optimum use of the walls, and utilizes the space in the most judicious manner. The straight floor plan creates spaces within the retail store for the customers to move and shop freely. It is one of the commonly implemented store designs.



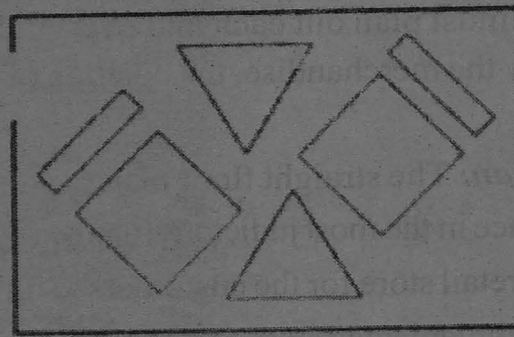
2. **Diagonal Floor Plan:** According to the diagonal floor plan, the shelves or racks are kept diagonal to each other for the owner or the store manager to have a watch on the customers. Diagonal floor plan works well in stores where customers have the liberty to walk in and pick up merchandise on their own.



3. **Angular Floor Plan :** The fixtures and walls are given a curved look to add to the style of the store. Angular floor plan gives a more sophisticated look to the store. Such layouts are often seen in high end stores.

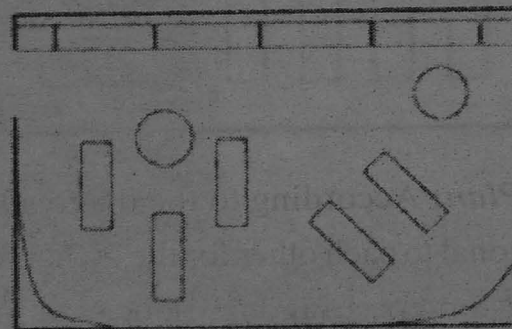


4. **Geometric Floor Plan :** The racks and fixtures are given a geometric shape in such a floor plan. The geometric floor plan gives a trendy and unique look to the store.



5. **Mixed Floor Plan**

The mixed floor plan takes into consideration angular, diagonal and straight layout to give rise to the most functional store lay out.



4.3.10. **Tips for Store Design and Layout**

- § The signage displaying the name and logo of the store must be installed at a place where it is visible to all, even from a distance. Don't add too much information.
- § The store must offer a positive ambience to the customers. The customers must leave the store with a smile.
- § Make sure the mannequins are according to the target market and display the latest trends. The clothes should look fitted on the dummies without using unnecessary pins. The position of the dummies must be changed from time to time to avoid monotony.

- § The trial rooms should have mirrors and must be kept clean. Do not dump unnecessary boxes or hangers in the dressing room.
- § The retailer must choose the right colour for the walls to set the mood of the customers. Prefer light and subtle shades.
- § The fixtures or furniture should not act as an object of obstacle. Don't unnecessary add too many types of furniture at your store.
- § The merchandise should be well arranged and organized on the racks assigned for them. The shelves must carry necessary labels for the customers to easily locate the products they need. Make sure the products do not fall off the shelves.
- § Never play loud music at the store.
- § The store should be adequately lit so that the products are easily visible to the customers. Replace burned out lights immediately.
- § The floor tiles, ceilings, carpet and the racks should be kept clean and stain free.
- § There should be no bad odour at the store as it irritates the customers.
- § Do not stock anything at the entrance or exit of the store to block the way of the customers. The customers should be able to move freely in the store.
- § The retailer must plan his store in a way which minimizes theft or shop lifting.
 - i. Merchandise should never be displayed at the entrance or exit of the store.
 - ii. Expensive products like watches, jewellery, precious stones, mobile handsets and so on must be kept in locked cabinets.
 - iii. Install cameras, CCTVs to have a closed look on the customers.
 - iv. Instruct the store manager or the sales representatives to try and assist all the customers who come for shopping.
 - v. Ask the customers to deposit their carry bags at the entrance itself.
 - vi. Do not allow the customers to carry more than three dresses at one time to the trial room.

4.3.11. Store Space: Case Study of Store Hanger

Retailers that give away hangers, whether imprinted or not, should consider storage space. Hangers can be purchased in bulk to reduce costs and to avoid running out. Keep in mind that hanger boxes are usually on the large side and may take up a lot of space in the stockroom. As sales clerks remove items from hangers, these recycled hangers should also have a neat and organized space at the checkout counter. Hangers are a critical part of any clothing display. Using the proper types of hangers will not only protect and preserve the merchandise, but it will also help your customers find what they are looking for much faster. Hangers for clothing and fashion accessories are available in a variety of styles, materials and sizes. Standard adult hangers are usually around 17 inches wide, while

children's hangers are only 12 to 14 inches. Specialty hangers for pants and skirts are available in 14 inches. Economical plastic, durable metal and classic wood hangers may all be suitable to use in a retail environment. Before choosing clothes hangers to use in your store, learn about the more popular types of hangers.

1. Plastic Hangers: Commercial plastic hangers are generally available in white, black or clear plastic. The quality will run from lightweight, almost flimsy, plastic to the super heavyweight unbreakable hangers. Plastic hangers work well as an all-purpose hanger. These are generally used for shirts, blouses, and dresses.

2. Wire Hangers: Metal, or wire, hangers will also vary in quality. The most inexpensive, lightweight metal clothes hangers are the type you may receive with your dry cleaning. Heavier metal hangers won't bend or sag and are great for stores with a more contemporary look. Because wire can rust, some wire clothing hangers are coated in colored vinyl to protect fabric.

3. Wooden Hangers: Classic wood hangers are available in a natural finish with chrome hardware or the higher end teak wood with brass hardware. Wood hanger styles include coat hangers with or without wooden bars, hangers with metal rods or lock bars on a spring to prevent pants from sliding.

4. Tubular Hangers: All-purpose tubular molded hangers are the type also available to consumers and found in many homes. They come in a large variety of colors. Using colored hangers may increase sales appeal.

5. Padded Hangers: Not only does a cloth covered hanger protect delicate garments, the padded hanger is usually covered with satin and therefore a pretty way to display lingerie or other clothing. The padding helps to prevent slipping and assists in preserving the shape of the garment.

6. Specialty Hangers: Retailers have many choices in hanger styles for unusual **Store Operations** garments or non-typical situations. Notched hangers are perfect for items with straps. Skirt/slacks hangers have metal or plastic clips on a metal rod which prevent sliding. Another type of specialty hanger is the salesman's hanger. These strong, chrome hangers feature a space-saving style and are ideal for trade-shows or salespeople transporting garments.

7. Hanger Accessories: Hanger markers, cardboard tubes and other hanger accessories help retailers keep their merchandise neat and tidy while creating an appealing display. Instead of purchasing different types of specialty hangers, piggyback connectors can be used on most any hanger to allow two garments to be displayed together. Soft plastic clips can attach easily to most hangers with notched tops. Also, foam hanger covers or strips can be placed on most any plastic or wooden hanger to prevent items from slipping. Before buying commercial hangers for a retail store, consider the following factors.

◆ **Garment Type:** The most important factor when choosing a hanger is to determine the type of garment to be displayed. Of the many types of hangers available to retailers,

each has its own particular function. For example, the higher cost and thickness of wood would make it impractical to choose wooden hangers for displaying tee shirts.

♦ **Store Atmosphere:** Hangers should match, or at least blend, with a store's decor. Take into consideration the look and feel of the store when choosing hangers. Upscale boutiques may want to avoid lightweight plastic hangers, while teak wood hangers may look out of place in a discount store.

♦ **To give or not to give:** Some retailers write their marketing plans to include custom printed hangers. Occasionally, a retailer may even receive clothing from the manufacturer already on hangers. All of these hangers are generally passed on to the customer and are considered a standard cost of doing business. On the other hand, more expensive and higher quality hangers are generally reused as long as they remain in good condition.

♦ **Storage Space:** Retailers that give away hangers, whether imprinted or not, should consider storage space. Hangers can be purchased in bulk to reduce costs and to avoid running out. Keep in mind that hanger boxes are usually on the large side and may take up a lot of space in the stockroom. As sales clerks remove items from hangers, these recycled hangers should also have a neat and organized space at the checkout counter.

Source: <http://retail.about.com>

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4.4. RETAIL INVENTORY MANAGEMENT

4.4.1. Inventory Management – Introduction:

Inventory refers to the goods stocked for future use. Every retail chain has its own warehouse to stock the merchandise to be used when the existing stock replenishes. Inventory management refers to the storage of products to be used at the time of crisis. The retailer keeps a track of the stocked goods and makes sure there is surplus inventory to avoid being "out of stock". Such a process is called as inventory management. Inventory management relates to the Retailer trying to acquire and maintain a proper merchandise assortment so that the cost related to ordering, shipping, handling, etc. may be kept in check. The inventory management is very crucial to adjust reasonable times between replenishment, asset management, inventory forecasting, inventory valuation, inventory visibility, availability of space for inventory, quality management, directing defective goods and demand forecasting.

4.4.2. Need for Inventory Management:

Gone are the days when customers had limited options for shopping. In the current scenario, if a customer does not find the desired merchandise at one retail shop, he has a second brand to rely on. A retailer can't afford to lose even a single customer. It is really important for the retailer to retain his existing customers as well as attract potential buyers. The retailer must ensure that every customer leaves his store with a smile. Unavailability of merchandise, empty shelves leave a negative impression on the customers and they are reluctant to visit the store in near future. Inventory management prevents such a situation. One must understand that the products need some time to reach the store from the supplier's unit. The retailer must have sufficient stock to offer to the customers during the "lead time".

Managing inventory also helps the retailer during situations beyond control like transport strikes, curfews etc. The retailer has ample stock as a result of judicious inventory management even at the time of crisis.

Methods of Inventory Planning In order to be able to proceed with merchandise planning, the method of inventory planning needs to be finalised. Any one of the four methods given below can be used for planning the inventory levels needed.

1. The Basic Stock Method
2. The percentage Variation Method
3. The week's Supply Method, and
4. The Stock/ Sales Ratio Method.

The Basic Stock Method This method of inventory planning is used when the retailer believes that it is necessary to have a given level of inventory on hand, at all times. Basic stock is the minimum amount of inventory that needs to be maintained for a product, category or store, even during times of low sales.

It is calculated as under:

Basic Stock = Average stock for the season – Average monthly sales for the season, where,

Average monthly sales for the season = $\frac{\text{Total planned sales for the season}}{\text{Number of months in the season}}$

Average Stock for the Season = $\frac{\text{Total Planned Sales for the season}}{\text{Estimated Inventory Turnover Rate for the Season}}$

Beginning of Month (BOM) Stock = Planned Monthly Sales + Basic Stock

Beginning of Month (BOM) Stock = Planned Monthly Sales + Basic Stock

Illustration : Using the basic stock method, calculate BOM inventory for the month of January, given the following information:

Planned sales for the month of January : 40,000

Average Monthly Sales : 50,000

Average monthly inventory : 60,000

Basic stock = 60,000 - 50,000 = 10,000

BOM stock = 40,000 + 10,000 = 50,000

The Percentage Variation Method This method is normally used when the stock turnover rate is more than six times a year. The basic premise behind this method of inventory planning is that the inventory levels should reflect the actual sales. It is calculated as under:

$$\text{BOM Stock} = \text{Avg Stock for season} \times \frac{1}{2} (1 + (\text{Planned sales for the month} / \text{Average Monthly sales}))]$$

Illustration: Using the Percentage Variation Method, calculate the BOM inventory for the month of January, given the following information.

Planned Sales for the month of January : 40,000

Average monthly Sales : 50,000

Average monthly inventory : 60,000

$$\text{BOM Stock} = \text{Avg Stock for season} \times \frac{1}{2} [1 + (\text{Planned Sales for the month} / \text{Average Monthly Sales})]$$

$$\text{BOM Stock} = 60,000 \times \frac{1}{2} \times (1 + 40,000/50,000)$$

$$= 60,000 \times \frac{1}{2} \times (1 + 1.2)$$

$$= 60,000 \times 1.1 = 66,000$$

Week's Supply Method Retailers such as grocers, who plan; inventories on a weekly, and not on a monthly basis, and whose sales do not fluctuate substantially, largely follow the Week's Supply Method. It is calculated as under:

$$\text{Number of Weeks to be Stocked} = \frac{\text{The Number in Weeks in the period}}{\text{stock turnover Rate for the period}}$$

$$\text{Average Weekly Sales} = \frac{\text{Estimated Total Sales for the Period}}{\text{The Number of Weeks in the Period}}$$

$$\text{BOM Stock} = \text{Average Weekly Sales} \times \text{Number of Weeks to be Stocked}$$

Stock to Sales Ratio Method: This is very easy to use, but it requires the retailer to have a beginning of the month stock/sales ratio. It involves the maintaining of the inventory levels at a specific ratio to the sales. This ratio tells the retailer how much inventory is needed at the beginning of the month, to support the month's estimated sales.

$$\text{Stock-Sales Ratio} = \frac{\text{Value of inventory}}{\text{Actual Sales}}$$

$$\text{Planned BOM Inventory} = \text{Stock Sales Ratio} \times \text{Planned Sales.}$$

Illustration : Using the Stock to sales Ratio Method, Calculate the BOM inventory for the month of January, given the following information.

Stock to sales Ratio = 1.4

Planned Sales for the month of January : 50,000

$$\begin{aligned}\text{Planned BOM inventory} &= 1.4 \times 50,000 \\ &= 70,000\end{aligned}$$

The Stock Turnover Rate An effective measure of the speed with which products or merchandise moves in and out of a retail store for a given period, is the Stock Turnover Rate. It is a measure of efficiency and is usually calculated for a period, of six months or a year. It is calculated using the following formula:

$$\text{Planned sales (for a period)} = \text{Stock turnover}$$

$$\text{Planned Average Inventory (for the period)}$$

The stock turnover rate is a measure of efficiency. Every department usually, has its own stock turnover rate, as different merchandise need different speeds of selling. Typically, for grocery products, the stock turnover rates needed would be much higher, as compared to those needed for products, the stock turnover rates needed would be much higher, as compared to those needed for products like apparel or toys. From the management's perspective, the stock turnover indicates the level of capital usage, i.e., turning money to inventory, inventory to money and then repeating the process again.

4.4.3. Inventory Turnover

Measuring inventory turn is the first step in building an inventory plan which eliminates unnecessary inventory and frees up cash. Controlling inventory turnover is the key to keeping our shelves stocked with interesting products and keeping the cash flowing. If a retailer wants to buy the merchandise, move it quickly and then repurchase more products for our customers. However, if the turnover becomes too high, sales may be lost because of reduced customer selection. Here's how we calculate inventory turns to help create a proper inventory control:

1. Start with the Beginning Inventory at Cost
2. Add Purchases at Cost
3. Subtract Ending Inventory at Cost
4. Subtract Cost of Scrapped and Lost items (if applicable)
5. Divide by the Cost of Average Inventory at the end of the month for the period under consideration (so if the average inventory is to be calculated for the past 12 months period, then average cost value is to be taken of the end of the month inventory during the last 12 months period)
6. The result is the number of times the average inventory is sold and replaced.

Inventory turnover can be calculated in whole, as well as by department or merchandise category wise. Inventory turns can be calculated by the month, quarter, season or year.

4.4.4. Important Terminologies used in Inventory management:

1. SKU (Stock Keeping Unit)

Every product available at the store has a unique code. This code which helps in the identification and tracking of the products at the retail store is called as stock keeping unit or SKU. The retailer feeds each and every SKU in the master computer and can easily track the product in the stock just by entering the SKU Number. Assigning a unique code to the products avoids unnecessary searching.

Example

Let us take the example of “Numero Uno” which stocks denims, shirts, T Shirts and targets both men as well as women.

SKU for Shirts

♦ NU – M-40-FL-W

♦ NU - M-38-FL-B

Where:

NU stands for Numero Uno

M - Men

40 - Collar Size

FL - Full Sleeves

W - White (Colour of the shirt)

In the same way B in the second example would stand for Blue

Simply typing NU – M-40-FL-W would let the retailer know whether the particular merchandise is available with him or not.

2. New Old Stock (Abbreviated as NOS)

The stock which is never been sold by the retailer and now not even being manufactured comprises the new old stock. Such products do not have takers and may not be produced anymore.

3. Stock out

Stock out refers to a situation when the retailer fails to fulfill the customer's requirement due to lack of merchandise. The merchandise is not available in the current inventory and thus the customer has to return home empty handed.

4.4.5. Preventing loss of inventory

Employees working at the store might get tempted to steal the merchandise. Let us go through some tips which help to prevent loss of inventory:

§ Check the bags of the employees before they leave the store.

§ Raise an alarm whenever you find someone stealing something. Supporting a wrong deed is also a crime.

- § Make sure that all the employees leave from one common door.
- § Avoid multiple exits.
- § Check garbage before dumping.
- § Keep proper record of the inventory (Stock coming in and going out)

4.4.6. GMROI:

Gross Margin Return on Inventory Investment (GMROI also known as GMROI II) is an important tool in analyzing the sales and inventory. The GMROI calculations assist retailer in evaluating whether a sufficient gross margin is being earned by the products sold, compared to the investment in inventory required to generate those gross margin dollars. The procedure for the calculation of GMROI is as follows:

1. Find the average inventory at cost.
2. Calculate the gross margin of the item.
3. Divide the gross margin by the average cost of inventory to get GMROI.
4. The result is a ratio indicating the number of times gross margin is earned from the inventory investment. GMROI calculation can be used to measure the performance of the entire shop, but it is also more effective if used for a particular department or category of merchandise.

4.4.7. Break-even Point

The point in business where the sales equal the expenses is defined as the break-even point. At this point there is no profit and no loss.

Break-Even Point (‘) = $\text{Fixed Costs} \div \text{Gross Margin per unit}$.

4.5. RETAIL ACCOUNTING AND AUDIT

4.5.1. Introduction:

Successful retailing also requires sound accounting practices. The number and types of accounting records needed depend on management's objectives. Large retailers generally require more detailed information, usually based on merchandise lines or departments. Smaller retailers may be able to make first-hand observation of sales and inventory levels and make decisions before financial data are available. For example, a retailer in a developing country owning and operating a 100-square-foot store can easily use observation to obtain a general idea of the store's inventory. Still, the small retailer should consult the accounting records to confirm personal observations.

Properly prepared financial records provide measurements of profitability and retail performance, in addition, they show all transactions occurring within a given time period. However, these financial records must provide the manager not only with a look at the past but also a preview of the future so the manager can plan, financial records not only indicate if a retailer has achieved good results, they also demonstrate what growth potential and problem areas lie ahead.

4.5.2. Retail Accounting Statements:

Three financial accounting statements are most commonly used by retailers:

The Income Statement

The Balance Sheet

The Statement of Cash Flow

4.5.2.1. Income Statement:

The most important financial statement a retailer prepares is the income statement. The income statement provides a summary of the sales and expenses for a given time period, usually monthly, quarterly, seasonally or annually. Comparison of current results with prior results allows the retailer to notice trends or changes in sales, expenses, and profits.

Income statements can be broken down by departments, divisions, branches and so on enabling the retailer to evaluate each subunit's operating performance for the period. Gross sales are the retailer's total sales, including sales for cash or for credit. Returns and allowances are reductions from gross sales. Here the retailer makes a financial adjustment for customers who became dissatisfied with their purchases and have returned the merchandise to the retailer.

Net sales, gross sales less returns and allowances, represent the amount of merchandise the retailer actually sold during the time period. Sometimes it is difficult to determine what figure to report for net sales. Cost of goods sold is the cost of merchandise that has been sold during the period. The exact calculation of the cost of goods sold is somewhat complex. Gross margin is the difference between net sales and cost of goods sold or the amount available to cover operating expenses and produce a profit. Retailers must consider not only Generally Accepted Accounting Principles regulations when presenting their income statements but also general tax and other financial rulings.

4.5.2.2. Balance Sheet:

The second accounting statement used in financial reporting is the balance sheet. A balance sheet shows the financial condition of a retailer's business at a particular point of time, as opposed to the income statement which reports on the activities over a period of time. The balance sheet identifies and quantifies all the firm's assets and liabilities. The difference between assets and liabilities is the owner's equity or net worth.

4.5.2.3. Statement of Cash Flow:

A third financial statement that retailers can use to help understand their business is the statement of cash flow. A statement of cash flow lists in detail the source and type of all revenue and the use and type of all expenditures (cash outflows) for a given period of time. When cash inflows exceed cash outflows the retailer is said to have a positive cash flow: when cash outflows exceed cash inflows, the retailer is said to be experiencing a

negative cash flow. Thus the purpose of the statement of cash flow is to enable the retailer to project the cash needs of the firm. Based on projections, plans may be made to either seek additional financing, if a negative flow is projected, or to make other investments if a positive flow is anticipated.

A statement of cash flow is not the same as an income statement. In a statement of cash flow, the retailer is concerned only with the movement of cash into or out of the firm. An income statement reflects the profitability of the retailer after all revenue and expenses are considered.

An increasing number of retailers are becoming aware of the critical nature of cash flow. A retailer can be growing quickly and be profitable yet fail due to inadequate cash flow.

4.5.3. Retail Audit:

A retail audit systematically examines and evaluates a firm's total retailing effort or a specific aspect of it. The purpose of an audit is to study what a retailer is presently doing, appraise performance, and make recommendations for the future. An audit investigates a retailer's objectives, strategy, implementation and organization. Goals are reviewed and evaluated for their clarity, consistency and appropriateness.

Good auditing involves following elements:

- It should be conducted regularly.
- In depth analysis is involved
- Data should be analysed systematically
- An open minded unbiased perspective is required
- Willingness to uncover weaknesses to be corrected and strengths can be exploited.
- Audit's recommendations are need to be carried out effectively.

4.5.4. Steps in retail Audit:

There are six steps in retail auditing:

1. Determine the person who does the audit.
2. Decide when and how often an audit is done.
3. Establish the areas to be audited
4. Develop audit forms
5. Conduct the audit
6. Report to the management.

4.5.4.1. Determine who does the audit?

One or a combination of three parties can be involved: a company audit specialist is an internal employee whose prime responsibility is the retail audit, a company department manager is an internal employee whose prime job is operations management, and an outside auditor is not a retailer's employee but a paid consultant.

4.5.4.2. Determine when and how often the audit is conducted?

Logical times for auditing are the end of the calendar year, the end of the retailer's annual reporting year (fiscal year), or when a complete physical inventory is conducted. An audit must be conducted annually, although some retailers desire more frequent analysis.

4.5.4.3. Determining Areas to be audited:

A retail audit typically includes more than financial analysis; it reviews various aspects of a firm's strategy and operations to identify strengths and weaknesses.

There are two basic types of audits.

The horizontal retail audit analyses a firm's overall performance, from the organizational mission to goals to customer satisfaction to the basic retail strategy mix and its implementation in an integrated, consistent way.

A vertical audit analysis in depth a firm's performance in one area of the strategy mix or operations, such as credit function, customer service, interior display etc.,

4.5.4.4. Developing Audit Forms:

An audit form lists the areas to be studied and guides data collection. It usually resembles a questionnaire and is completed by the auditor.

4.5.4.5. Conducting the audit:

Next the audit itself is undertaken. Management specifies how long the audit will take. Prior notification of employees depends on management's perception of two factors. The need to compile the data and the desire to get an objective picture will determine the objective of the audit.

4.5.4.6. Reporting audit findings and recommendations to management:

The last auditing step is to present findings and recommendations to management. It is the role of management not the auditor to see what adjustments to make.

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4.6. RETAIL STORE BRANDS

4.6.1. Introduction:

Retail Store Brands are otherwise called as private labels are brands that are not owned by a manufacturer or producer but by a Retailer or Supplier who gets its goods made by a contract manufacturer under its own label. Private label goods and services

are available in a wide range of industries from food to cosmetics to Apparels. They are often positioned as lower cost alternatives to regional, national or international brands, although recently some private label brands have been positioned as “premium” brands to compete with existing “name” brands.

4.6.2. Concept of Brand

A brand is the identity of a specific product, service, or business. A brand can take many forms, including a name, sign, symbol, color combination or slogan. The word **brand** began simply as a way to tell one person’s cattle from another by means of a hot iron stamp. A legally protected **brand name** is called a trademark. The word brand has continued to evolve to encompass identity - it affects the personality of a product, Company or service.

A **concept brand** is a brand that is associated with an abstract concept, like breast cancer awareness or environmentalism, rather than a specific product, service, or business.

A **commodity brand** is a brand associated with a commodity. AMUL is an example of a commodity brand. Brand is the personality *that identifies* a product, or Company (name, term, sign, symbol, or design, or combination of them) and how it relates to key constituencies: Customers, Staff, Partners, and Investors etc.

Some people distinguish the psychological aspect, brand associations like thoughts, feelings, perceptions, images, experiences, beliefs, attitudes, and so on that become linked to the brand, of a brand from the experiential aspect.

The experiential aspect consists of the sum of all points of contact with the brand and is known as the **brand experience**. The psychological aspect, sometimes referred to as the **brand image**, is a symbolic construct created within the minds of people, consisting of all the information and expectations associated with a product, service or the Company providing them.

4.6.3. Why should a Retailer have Private Labels?

Department stores clearly have an incentive to expand private labels across categories because Private Label margins run between 6 percent and 10 percent higher, on average, than the national brands. Also, Private Labels address consumer demand for differentiation, as the Private Label would be exclusively available only with that Store and not anywhere else in the market. This offers a major competitive advantage. Retailers are constantly looking at their Vendor matrix and ensuring that each Vendor on that matrix is performing up to the standards that have been established for it. If a Brand or Vendor does not measure up, the Retailer sees it as an opportunity to replace it with a Private Brand or another national brand that has more potential.

4.6.4. Retail store brands types:

Store branding occurs (Retailer’s Private Labels) occurs when a retailer sells products under the retail organisation’s house brand. Own branding can be of two types:

1. Integrated Own branding – occurs when the retailer also manufactures the branded retail products. Eg. Raymond, Sony Retail outlet
2. Independent contracting – occurs when the retailer procures products from other suppliers but sells them under the label of the retail house.

4.6.5.5. Significance of Retail Store Brands (Own Branding)

- Higher percentage of margins they provide to retailers
- It implicit assumption that providing a private label breeds loyalty
- The negotiating leverage they provide over manufacturers

4.6.6. Challenges faced by Private Labels

Much depends on each chain's ability to design and source Private Label product efficiently. The decision process for all chains involves a painstaking analysis of sell-through and profitability at each category level.

Challenges faced by Private Labels are:

- ◆ Brands are nationally advertised and have the perception of quality and style that it takes years for Private Labels to reach.
- ◆ Retailers usually do not market their Private Labels externally, so it is a challenge to establish the positioning of the brand and build up adequate brand awareness.
- ◆ Retailers contract the manufacturing of these products to a third party and much depends on the abilities of the Suppliers to supply the right quality product at the right time and at right cost.
- ◆ Private Labels would not work by just keeping the products cheap. Retailers must look at developing good quality and value-added products
- ◆ As the Private Labels are exclusively manufactured for consumption within the Retailers' Stores and not distributed elsewhere, it is a challenge for the Retailers to achieve the required volumes to benefit from economies of scale which is critical for cost efficiency. Besides developing a good quality brand has a high development and innovation cost attached to it. To be able to absorb such costs, Retail chains will need to scale up.
- ◆ As the Retailer is solely responsible for the product, it is critical that they get the product and the buys right, else it poses a real problem. Line failures or excess inventory could prove very expensive due to high markdown liabilities and write offs.
- ◆ In fashion products the risks are even higher as their shelf lives are low. Department store chains do not have the ability to change the assortment quickly the way the speciality chains do.

4.6.7. Evolution of Private Labels in Developing Countries

Private labels have come a long way over the last three decades. They started with Retailers wanting to offer cheaper substitutes. This was for two reasons. One, having a Private Label meant that Retailers could negotiate a better margin from the manufacturer.

And the other, when they had Private Labels they had a differentiator. While every shop sold a Coca-Cola and Pepsi, a Private Label meant that the Store now had something that other Stores did not. In India several Private Label brands were launched to compete with Coca-Cola such as Thums up, Duke's Cola, Campa Cola etc.

The biggest change in the last decade or so has been the entry of premium Private Labels. They are no longer saying "buy us because we are cheap", instead today, they are saying "buy us because we are the best". By offering high quality products, many Private Labels have started charging more than regular manufacturers.

Today, Retailers have realised that by having top quality Private Labels they can differentiate themselves from other Stores and be a destination Store.

4.6.6. Future of Private Labels

Private Retailers will occupy 50 per cent of the market the world over. At 50 per cent, they begin to saturate. If they try to occupy more than this, then consumers feel that there are not enough choices. In countries such as Switzerland and the UK, Private Labels have reached this limit and these markets have saturated. But they will continue grow in the other countries till they reach the same level. And this will happen very soon in India, too.

Overall in India Private Labels constitute 10-12 percent of the organized Retail product mix. Among the major Indian players, the degree of Private Label penetration is the highest in Trent with 90 percent, followed by Reliance Retail (80 percent), Pantaloon at (75 percent), Shoppers Stop (20 percent). In comparison, international Retailers like the US-based Wal-Mart and Tesco of the UK have 40 per cent and 55 per cent own label brands representation in their Stores, respectively.

With the emergence of strong Retailers, Private Label Brand, also called own brands, or Store brands, also emerged as a major factor in the marketplace. However, much depends on each chain's ability to design and source Private Label product efficiently. There are many challenges faced by Private Labels.

4.6.7. Branding by ITC a Case Study

John Players - ITC's John Players offers a complete and vibrant wardrobe of Casual wear, Party wear, Work wear, Denims, Outer wear and Suits & Jackets, incorporating the most contemporary trends, an exciting mix of colours, playful styling, trendy textures and comfortable fits. With a distinctive presence across segments at the premium end, ITC has also established John Players as a brand at its **Wills Life Style**. Stores that offers a complete fashion wardrobe to the male youth of today. With its brands, ITC is committed to build a dominant presence in the apparel market through a robust portfolio of offerings.

ITC forayed into the youth fashion segment with the launch of **John Players** in December 2002 and **John Players** is committed to be the No. 1 fashion brand for the

youth. This foray leverages ITC's proven competencies in understanding consumer insights, brand building and design capabilities. **John Players** offers a complete and vibrant wardrobe of Casual wear, Party wear, Work wear, Denims, Outer wear and Suits & Jackets, incorporating the most contemporary trends, an exciting mix of colours, playful styling, trendy textures and comfortable fits. The brand is available across the country through a nation-wide network of over 220 exclusive Stores and over 1500 Multi-brand Outlets. At the Images Fashion Awards 2005, John Players was declared 'The Most Admired Shirt Brand of the Year'. At the Images Fashion Awards 2007, John Players was awarded the 'The Most Admired Fashion Campaign of the Year' award. With Celebration Gift Certificates, John Players presents a new way of festive gifting. John Players offers a complete and vibrant wardrobe of Casual wear, Party wear, Work wear, Denims, Outer wear and Suits & Jackets, incorporating the most contemporary trends, an exciting mix of colors, playful styling, trendy textures and comfortable fits.

4.7. RETAIL ADVERTISING AND PROMOTIONS

4.7.1. Introduction:

Promoting a brand is more important than opening a store. It is essential to create brand awareness for the customers to know about the brand's existence. The retailer must strive hard to communicate the USPs (Unique selling Proposition) of the brand to influence the buying behaviour of the customers. In simpler words, advertisements help the end-users to know to which brand a particular product belongs. Advertisements play a crucial role in promoting a brand and creating its awareness amongst the masses. They help in creating an image of a particular product or brand in the minds of the potential customers. Such a mechanism is also called Brand Positioning.

4.7.2. Advertising:

Advertising is a medium through which an individual or organization highlights the USPs and benefits of a product or service to influence the buying behaviour of the individuals. It helps to create a positive image of a particular brand in the minds of the customers and prompts them to buy the same. Advertising is a strong medium which influences the buying decision of the customer and prompts him to shop. The retailer must ensure to communicate the USPs of his brand to the target customers well through various modes of advertising. The advertisement must be eye-catching for the end-users to click on them.

4.7.3. Various ways of Advertising

1. **Billboards:** Billboard is one of the best ways of out of home advertising. Out of home advertising refers to creating awareness amongst the individuals when they are out of their homes.

§ Install hoardings, banners, bill boards at strategic locations such as heavy traffic areas, major crossings, railway stations, bus stands etc to entice the customers.

The retailer must ensure that the banners get noticed and bring results.

- § Newspapers, Television and radio are also effective ways to promote a brand. Television reaches a wider audience and makes the store popular amongst all.
- § The advertisement should be a visual treat, appeal the customers and prompt them to visit the store.

2. Coupons

- § Coupons are an effective way of promoting a brand as they offer some kind of financial benefit to the customers in the form of discounts and rebates and thus attracting them into the store.
- § Coupons help in furthering the brand image of the retail store without much investment.
- § More and more people visit the stores to redeem the coupons, thus making the brand popular.
- § Discounts, sale, rebates are good ways to promote a brand.

3. Private Label

- § Private label is an effective way to promote one's brand at low costs.
- § Products manufactured by one company but sold under another company's brand name are called Private Label Products.
- § Create your own website.
- § Print your own calendars, diaries, planners, table tops with your store's name, address as well as logo. Such an activity creates awareness among individuals.
- § Always keep your visiting cards handy and distribute them to as many people as you can.
- § In the current scenario, social networking sites go a long way in promoting brands. Create communities and invite people to join the same.
- § Customer loyalty programs help to retain customers and attract new individuals to the store.
- § Create a positive ambience at the store. Nothing works better than customer satisfaction in the retail industry. One satisfied customer brings ten new customers along with him.

4.7.4. Role of Advertising in Retail

- § The retailer through various ways of advertising strives hard to promote his brand amongst the masses for them to visit the store more often.
- § Advertisements attract the customers into the store. They act as a catalyst in bringing the customers to the stores.
- § The advertisement must effectively communicate the right message and click on the customers. It should be a visual treat and appeal the end-users.

- § Advertisements have taglines to create awareness of a product or service in the most effective way.
- § The tagline has to be crisp and impressive to create the desired impact. The tagline should not be lengthy else the effect gets nullified. It has to be catchy. It should be simple to memorize. The moment an individual hears “Just Do it”, he knows he has to visit a “Nike Store”. That’s the importance of a tagline.

4.7.5. Modes of Advertising

1. Nothing works better than promoting a brand through **signboards, billboards, hoardings and banners** intelligently placed at strategic locations like railway stations, crowded areas, heavy traffic crossings, bus stands, near cinema halls, residential areas and so on. Such advertising is also called as out of home advertising.
2. **Print media** is also one of the most effective ways to promote a brand. Newspapers, magazines, catalogues, journals make the brand popular amongst the individuals. Retailers can buy a small space in any of the leading newspapers or magazines; give their ads for the individuals to read and get influenced.
3. **Television** also helps the brand reach a wider audience. Now a days retailers also use celebrities to endorse their products for that extra zing. Celebrities are shown using the particular brand and thus making it a hit amongst the masses. Sachin Tendulkar - the famous Indian cricketer endorses Castrol India, MRF tyres, Adidas, Boost etc. A child gets influenced to drink Boost because his favourite cricketer drinks the same.
4. **Radio Advertisements** also help in creating brand awareness.
5. **Social networking** sites have also emerged as one of the easiest and economical ways to promote a product or brand.

4.7.6. Functions Of Advertising

Primary Functions:

1. **Increase in Sales:** - Advertisement increases sales of the product by securing greater consumption, attracting new buyers or introducing new uses for a commodity.
2. **Boost stocking:** - Persuasion of dealers to stock the goods is one of the functions of advertisement.
3. **Help in Sales:** - Advertisement helps the dealers (wholesalers and retailers) to sell the advertised product.
4. **More Per Capita use:** - Advertising is effectively used to increase the per capita use of the commodity by its constant repetition.
5. **Respectability:** - By advertisement the receptiveness of a new product or new model increases if producer has earned a name as a producer of good quality products.
6. **Insurance:** - Advertisement creates insurance for the manufacturers' business.

7. Buyers Dependability: - The buyer's dependability on well advertised goods is increased because he knows its quality.

8. Diminishing Fluctuations: - Advertisement helps to eliminate or lessen seasonal fluctuations.

9. Brand Image and Brand Loyalty: - Advertisement creates brand image and brand loyalty.

10. Raising Standard of Living: - Advertisement raises the standard of living of the public by instigating the desire to purchase better and qualitative things. (B)

Secondary Functions

1. Encouraging Salesman: - Advertisement encourages the salesman and lends them moral support in facing a difficult customer.

2. Information: - Necessary information's are furnished to salesman, dealers and customers about the product. The printed word is manufacturer's guarantee.

3. Public Response: - Advertisement creates a feeling among executives and administrative staff that they are working in a company having public response

4. Sense of Security: - The workers of a company of well advertised goods feel themselves secure. It means steady work and consequent prosperity. Their jobs are permanent and are likely to be promoted.

5. Better Employees: - Advertisement helps the company to secure better employees- executives, salesmen and workers.

6. Help to all: - The above functions of advertisement help the producer, salesman, dealer and consumer.

4.7.7. Advantages to the Retailers

The following are some of the benefits of advertising available to the retailers.

1. Increase the turnover: Advertising quickness the turnover of the retailer. Quick turnover, in its turn reduces the risk of dead stock and brings down the proportionate expenses in overhead charges.

2. Publicity: Advertising not only offers publicity to the product but also to the retailers. In fact, the retailer himself is known to public only through the manufacture's advertising. In many cases, the names of the retailers are also advertised by the producers.

3. Minimum efforts: Since advertising creates new wants, the retailer need not take many efforts to push up the sales of the product. Generally, retailers employ no salesman who goes outside the shops to procure orders. But advertising goes out on his behalf and attract more customers towards his shop.

4. Risk of price wars: Advertising enables the producer to control both wholesale and retail prices. Therefore, the retailers need not be afraid of unfair competition and price wars. This avoids losses to the retailer through the fluctuations in prices.

5. Sales forecasting: The retailer can also forecast the sales for the current year and also plan his stock accordingly. Proper sales forecasting brings more profits to him.

6. Strengthening of goodwill: The reputation created to the product is also shared by the retailer who deals in it. Well advertised product adds prestige to the retailers and he incurs no additional expenditure for this.

4.7.8. Promotion - Meaning and Definition of Promotion

There are two ways by which sales volume can be increased

- 1) having an efficient sales organization
- 2) ability to undertake all the sales promotional activities.

To an efficient sales organisation the sales manager has to appoint the most competent staff, train them as and when necessary and remunerate them with suitable incentives. These are done on the internal side. These are steps taken within the organisation itself to keep the sales force efficient and enthusiastic. The second way is to take all the external steps which will also help in the expansion of the sales volume. These external steps constitute promotion.

In view of the several promotional tools available, defining the term sales promotion in exact terms is difficult. However, authorities have made an attempt to formulate suitable definitions for this term and a few notes worthy definitions are given below:

Definition of J. Stanton: "Promotion is an exercise of information, persuasion and influence

Definition of Philip Kotler: "Promotion encompasses all the tools in the marketing mix whose major role is persuasive communication .

Definition of the American Marketing Association: The Definition Committee defines the terms Sales Promotion as "those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness such as displays, shows and expositions, demonstration and various non- recurrent selling efforts not in the ordinary routine .

4.7.9. Importance of Promotional Activities:

1) Sale of the goods in Imperfect markets – Every market is imperfect market. In the imperfect market conditions, the product cannot be sold easily only on the basis of price differentiation. It is the promotional activity that provides information about the differences, characteristics and the multiuse of the products of various competitors in the market. The customer is attracted to purchase the goods on the basis of such information. Thus promotional activities are necessary for selling the product successfully.

2) Filling the Gap Between producers and Consumers – Due to prevalent market condition, mass selling is quite impossible without promotional activities. The distance between producers and consumers has so widened in present days that to get them acquainted with the product, promotional activities are necessary.

3) **Facing Intense Competition** – The present intense competition necessitated the sales promotion activities. When a manufacturer increases his promotional spending and adapts aggressive strategy in creating a brand image, others are also forced to follow the suit. This leads to promotion – war.

4) **Large Scale Selling** – Sales promotion is the result of large scale production. It can be achieved only appropriate methods of large scale selling. Large scale selling is possible with the help of promotional activities.

5) **Higher Standard of Living** – Thus promotional activities increase the standard of living by providing the better goods at a lower rate due to large scale production and selling.

6) **More Employment** – As the promotional activities cannot be performed without the help of an effective sales force and the specialists in the field, employment opportunities are opened for a large number of people.

7) **Increased Trade Pressures** – The growth of large scale retailer, such as super markets, chain stores, etc., has brought greater pressure on manufacturers for support and allowance. In order to aid the retailers and also to ensure their share of shelf space many manufacturers have taken to sales promotion activities.

8) **Effective Sales Support** – Sales promotion policies supplement the efforts of personal and impersonal salesmanship. Good sales promotion materials make the salesman's effort more productive. Promotion reduces his time spent in prospecting and reduces the turndowns.

9) **Increased Speed of Produce Acceptance** – Most of the sales promotion devices such as contests, premium coupons, etc. can be used faster than the other promotion methods such as advertisement.

4.7.10. The Purposes of Promotion

There are three specific purposes of promotion:

To Communicate,

To Convince, and

To compete

It is not enough merely to communicate. Ideas must be convincing so that action (purchase) would follow. In other words, distribution of information should be capable of producing marketing result.

A good product, an efficient channel, and appropriate price are not enough by themselves. Communication and convincing elements should supplement to offer contrasts to the efforts of competitors. It may even be stated that the competitive characteristic of promotion defines its vital role in marketing strategy.

4.7.11. Objectives of Promotion

Communication is a necessary element in everyday and in every walk of life. People communicate for many reasons. A dynamic society cannot be there without sufficient modes of communication. Promotion is the mode of communication adopted by business community for achieving certain specific objectives. From the point of view of a seller such communications may become necessary to modify consumer behaviour and thoughts and/or to reinforce existing behaviour of consumers.

Promotional Objectives

Buyer Behaviour Modification

Inform

Remind

Persuade

4.7.12. Kinds of Promotion

1. **Informative promotion.** All promotions, essentially, are designed to inform the target market about the firm's offerings, *Informative promotion* is more prevalent during early stages of product life cycle. It is a necessary ingredient for creating primary demand. Such type of promotion is needed ingredient for creating primary demand. Such type of promotion is needed as the consumers make their purchases only if they are convinced about the product benefits. This could be done only with the help of communications and such communications are usually information-oriented and not sales oriented. Naturally, this will help the consumer in his intelligent buying.

2. **Persuasive Promotion.** The basic purpose of promotion is to persuade people to buy. But many do not accept this goal, as it would involve high-pressure selling but essence of all promotion is persuasion. It is designed to stimulate purchase and to create a positive image in order to influence long-term buyer behaviour. Except on certain occasion promotion is not intended to create immediate response. Moreover, when the product enters growth stage persuasion becomes the primary goal of any kind of promotion.

3. **Reminder Promotion.** This goal is adopted when the product reaches maturity stage. Insisting and emphasizing brand names and product features in competitive terms is the central aim of reminder promotion. It simply serves as a memory jogger.

4. **Buyer Behaviour Modifications.** The effect of promotion is measured through the modification in consumer behaviour. The repeated advertisements and constant personal selling methods are designed to achieve this goal.

FURTHER READINGS

Books

- ◆ Wells, Burnett & Moriarty: Advertising Principles and Practices, Prentice-Hall
- ◆ June Valladares: The Craft of Copywriting, Sage Publications.

- ♦ J V Vilanilam & A K Varghese: Advertising Basics: A Resource Guide for Beginners, Response Books, Sage Publications.
- ♦ Wright, Winter & Zeigler: Advertising, Tata McGraw Hill.
- ♦ Sandage, Fryburger & Rotzoll: Advertising, Irwin.
- ♦ Aaker, Batra & Myers: Advertising Management, Prentice Hall, India.
- ♦ Subroto Sengupta: Brand Positioning, Tata McGraw Hill.
- ♦ David Ogilvy: Ogilvy on Advertising.
- ♦ J.T. Russel & Ronald Lane: Kleppner's Advertising Procedure, Prentice Hall.
- ♦ Don E. Schultz: Strategic Advertising Campaigns, NTC Business Books.
- ♦ Pran Nath Chowdhury: Successful Sales Promotion.

4.8. RETAIL MANAGEMENT INFORMATION SYSTEM

4.8.1. Introduction:

Technology has enabled retailers to function efficiently in every area. Here in Retail Management Information System the focus is on the role of technology and management information systems in all key functions of retailing.

Customer convenience and business viability have been the major factors driving technology in retail, especially in the areas of operating processes, inventory management and customer relationship practices.

4.8.2. The role of retail technology in store operating procedures:

According to experts, the two major technology innovations in the retail business have been the bar code and the shopping cart. Customers now also have free access to merchandise and information. Electronic Data Interchange (EDI) – This facilitates direct computer to computer transactions from the store to the vendors' databases and ordering systems has enabled just-in-time inventory management. Product information kiosks and hand held shopping assistants have enabled customers to find information on their own without having to ask questions or allowing anyone to invade their private space while shopping. Global product identification is enabled by the Universal Product Code (UPC) and its special bar code and unique numbering pattern help track inventory even across continents.

In the area of space management, organizations like AC Nielsen have mapped planograms with even margins in an attempt to integrate store space planning with optimal financial productivity. Because of the low-margin nature of the business, retailers will have to focus on operational efficiency in order to create competitive differentiation.

In case of store security systems, the rate of innovation has been rapid, there are systems that work very efficiently with unseen tags, every professionally managed store has comprehended the need to save money by preventing shrinkage.

4.8.3. Retail Technology and CRM:

Customer service is supported by customer database programs that allow the retailer to identify which customers purchased what items and when. These systems link every SKU to a customer's name and address and allow relevant queries to be run. The database can produce a list of all customers according to what they spent in the past year, the number of times he or she shopped during a specific time-frame and so on. The CRM software allows retailers to track customers and their purchase behaviour, thus allowing communication and promotions to be planned.

4.8.4. Human Resources and Executive Information Systems:

A Human Resources Information System facilitates implementing the Performance Management System for all retail personnel so that they can serve customers more efficiently. Executive Information System (EIS) is a program that helps retail executives look at key data for effective decision-making and arrange it in any form they wish.

4.8.5. Retail Automation in Merchandise and SCM System:

The application of merchandise and supply chain planning allows the retailer to draw up store merchandise and supply plans and monitor performance against them. Basic planning typically involves sales and inventory plans for each store in the chain, for each merchandise category by month. The information feeds an open-to buy application to control purchases by merchandise category so that planned sales are achieved. The technology automatically calculates the re-order requirement and creates purchase orders.

4.8.6. Management Information Systems and Analysis:

Reports provided in the MIS of retailer helps in managing the operation more effectively. Exception reports highlights only those items that require action. Interactive reports enable the system to query the information in the report and drill down to the relevant detail. Ad hoc reports are requested on the fly and the format and criteria are only once.

4.9. ON-LINE RETAIL

4.9.1. E-Retailing

Non store retailing occurs when a firm uses a strategy mix that is not store based, to reach customers and complete transactions. A non store retailer does not utilize conventional store facilities.

Non store retailing has been growing much faster than store retailing. Traditional store retailers are facing increasing competition from catalogs, direct mail, telephone, TV home shopping and the internet.

4.9.2. Types of Non Store Retailers

The major types of non store retail formats are: (a) e-tailing or Electronic retailing or Internet retailing (b) Catalog and Direct Mail retailing (c) Direct selling (d) TV Home shopping and (e) Automatic vending machines.

4.9.3. E- Retailing

This is a retail format in which retailers communicate with customers and offer products and services for sale over the internet. The internet is challenging the existing retail models found in traditional bricks and mortar businesses. As a means of expanding existing market share, entering new markets, forging alliances with business partners and taking customer relationship to a new and unprecedented level, e-business is an unparalleled tool. With better availability and less expensive access to the internet, its' usage is set to explode over the next few years. Therefore, for a company to survive the internet age, it needs to find new ways to provide the same traditional services and satisfy changing customer needs. Electronic links to suppliers have created a virtual inventory and a web site has created a virtual store front. When internet transactions are tightly integrated with back end office systems, the retailer can provide better service to customers while reducing the cost of operations. Electronic retailers range in size from Amazon.com with over \$3.0 billion annual sales. A large number of traditional retailers have incorporated e-tailing into a multi channel offering that provides value to customers.

E-tailing allows retailers to strip out information from the store setting, thus breaking down traditional retail-value chains and forcing the restructure of physical activities and information to create a completely new model of retailing. Such a model has the capability of providing both, "richness" and "reach" simultaneously.

In the absence of physical, constraints on online space, new products, product information, customized layouts and offerings, marketing campaigns etc; can be added at a low marginal cost. A growing number of new customers and even old customers can be served with relatively limited investments. All this allows the Internet retailer to meet the needs of customers, more easily and faster than off line retailing models. The on line business to consumers (B2C) market is in the very early stages of development. While the current market is small, the growth has been truly phenomenal. One of the major factors for this dramatic growth is that, the cost of putting a business on line, has reduced considerably.

4.9.4. Advantages of E-Tailing

Whether it is conventional brick and mortar retail store or extension of the existing business or a new start-up, there are many advantages from e-tailing. E-tailing provides lots of opportunities to all types of retailers.

These are as follows:

- i) Price and selection:** Online shopping provides quick deals for many items with many different vendors. E-tailing provides the facilities of online price comparison which makes selection quite easy and fast.
- ii) Opportunities to reach new markets:** E-retailing gives retailers an opportunity to reach new markets which is physically not possible.

iii) Provides home shopping experience: E-Retailing overcomes some limitations of the traditional formats. For instance the customers can shop with the ease and comfort of their

iv) Extension to leverage: For the existing retailers, it is an extension to leverage their skills and grow revenues and profits without creating new business.

v) Valuable insights: E-commerce software also traces the customers' activities on the internet. It enables e-retailers to gain valuable insights to the customers shopping behaviour.

vi) 24 hours shopping: Online stores are usually available 24 hours a day. Many customers who have internet access both at work and at home go for online shopping. Moreover, increasing fuel costs, large mall crowds and time constraints are motivating buyers to shop online. Retailers can get the order from any customer living any place at any time of the day. E-tailing removes the barriers of time and space.

vii) Reasonable cost: E-Commerce channels are definitely efficient and they are highly cost-effective retailers. Retailers do not have to pay a heavy price (rent) for shops in costly shopping malls.

4.9.5. Shortcomings of E-Retailing

The online retailing (e-retailing) process suffers from various drawbacks. There are some drawbacks of E-Retailing. Let us learn them one by one.

i) It lacks an emotional shopping experience that the customer can get in a personal shopping store.

ii) It is exposed to intangible merchandise (i.e., virtual display of merchandise). Therefore, it does not provide sensory support to the customer. The customer cannot hold, smell, feel, or try the product.

iii) Online customers are reluctant to part with their credit card debit cards or net banking details on net, fearing they may be misused. It arises security issues. Customers are not yet convinced about the foolproof status of this method.

iv) It provides impersonal services which the Indian customers are not exposed to. They are rather used to the tangible personalised services which they may miss in online retailing services.

v) It is lacking in family shopping experience. The Indian customers enjoy shopping at the weekends, and particularly during festive seasons and marriage occasions.

vi) There is always a sense of fraud in the mind of customers while shopping online as customers are unable to inspect the product before purchase.

The advantages of e-Retailing outweighs its drawbacks. Thus it is showing a positive **E-Retailing** inclination rate across the boundary.

4.9.6. Challenges in E-Retailing

E-retailing is totally a new concept in India and online retailing is a tedious task here. Etailers face so many problems and challenges in this process. The following are the major challenges faced by e-tailers :

I) Resolving channel conflict: If a seller is a click-and-mortar (both web and physical presence) company, such as Levi's or GM. It may face a conflict with its regular distributors when it sells directly online. This is known as channel conflict. This situation can alienate the regular distributors. Channel conflict has forced some companies (e.g., Lego.com) to limit their B2C efforts. Others (e.g., some automotive companies) have decided not to sell direct online. An alternative approach is to try to collaborate in some way with the existing distributors whose services may be restructured. For example, an auto company could allow customers to configure a car online. It requires that the car be picked up from a dealer, where customers would arrange financing, warranties, and service. IT tools can facilitate resolution of channel conflict.

II) Resolving conflicts within click-and-mortar organizations: When an established company decides to sell direct online, it may create a conflict within its existing operations. Conflicts may arise in areas such as pricing of products and services, allocation of resources (e.g., advertising budget) and logistics services provided by the offline activities to the online activities (e.g., handling of returns of items bought online). As a result of these conflicts, some companies have completely separated the "clicks" (the online portion of the organization) from the "mortars" or "bricks" (the traditional brick-and-mortar part of the organization). Such separation may increase expenses and reduce the synergy between the two. The decisions about how to organize the online and off-line operations and whether or not to separate them, can be facilitated by IT tools. In addition, Group Decision Support System (Group DSS) can be used to resolve conflicts.

III) Organising order fulfilment and logistics: E-tailers face a difficult problem of how to ship very small quantities to a large number of buyers. This can be a difficult undertaking, especially when returned items need to be handled. IT-supported decision models can help with scheduling, routing, shipments, inventory management and other logistics-related decisions.

IV) Determining viability and risk of online e-tailers: Many pure online e-tailers faced the problems with customer acquisition, order fulfilment, and demand forecasting. Online competition, especially in commodity-type products such as CDs, toys, books, or groceries, became very fierce, due to the ease of entry to the marketplace. So a problem most young e-tailers face is to determine how long to operate while they are still losing money and how to finance the losses. In deciding on new EC initiatives, or on an entire dot-com company, a risk analysis is needed. A DSS modeling can be helpful in such cases.

V) Identifying appropriate revenue models: Many dot-com companies were selling goods at or below cost, with the objective of attracting many customers and advertisers to their sites. One early dot-com model was to generate enough revenue from advertising to keep the business afloat until the customer base reached critical mass. This model did not work. Too many dot-com companies were competing for too few advertising dollars, which went mainly to a small number of well-known sites such as AOL and Yahoo. In addition, there was a “chicken-and-egg” problem. Sites could not get advertisers to come if they did not have enough visitors. To succeed in e-Commerce, it is necessary to identify appropriate revenue models.

VI) Requirement to Change Business Process: The process of procurement, storage and logistics in e-businesses is different from that in traditional brick-store businesses. The e-retail organization has to carefully redesign and integrate various processes to suit the new e-business. Traditional sections of departments and management hierarchy may pose hindrances and bottlenecks in the process of order processing and shipments. For example, the traditional business may require the goods to be present at the warehouse and inspected before being shipped to the customer. In electronic retailing, shipping of goods from one place to another to a customer would not be possible. The retailer may appoint a local supplier at the city where the customer resides and instruct the supplier to deliver the goods. This would require by passing certain business rules and a lot of faith on the local supplier. It would require business confidence that the supplier would follow the instructions and deliver the same product in good quantity and perfect quality. Merchandise planning and demand analysis is also difficult in e-retailing, as compared to traditional retail businesses. IT can play a great role in defining these processes and ensure compliances.

VII) Legal Issues: Proper laws have not yet evolved for Internet based transactions. Validity of e-mails, digital signatures and application of copyright laws is being checked by various government authorities. E-mail and digital signatures are now being recognized as valid for any legal purpose. Value Added Tax (VAT) is yet another area that creates problems. Taxes on goods and services are still an issue. Since the taxes are levied and shared by multiple government agencies at local, state or federal level, there are no clear rules to guide retailers. In e-retailing, the place of billing, the place of dispatch of goods and the place of delivery all differ.

VIII) Security and Privacy: Security is one of the major challenges in the digital world. Despite a lot of security arrangements, such as passwords and firewalls, we come across the news of website hacking and data pilferages. The Internet being on public domain is more susceptible to unauthorized peeping. People are suspicious about disclosing information regarding their credit cards and personal details on the Net because of fear that they can be misused. Cyber criminals have exploited the Internet weaknesses and have broken into computer systems, retrieving passwords and banking information. Security of payment gateway is a major concern, which has to be taken care of by the retailer by

putting up proper security layers. IT has to ensure proper established framework that can have multiple layers of security. IT should also ensure inter-operability between system

4.10. EMERGING TRENDS IN RETAILING

4.10.1. Introduction:

From an operational perspective, retailing is about transactions. „Checking out , „closing the deal, and other colloquial expressions for the exchange of goods and services for money or the promise of money has historically defined retailing. However, if one considers retailing from a broader perspective, the transactional element of retailing is simply the culmination of a much larger process of searching, retrieving, and eventually exchanging *value for value*.

For the consumer, the process of „buying a product or service involves seeking and selecting the right solution to a problem or need and, in exchange, providing something of value to the retailer. Money is certainly of value to the retailer, but so is customer loyalty, good will, and the relationship that forms between retailers and their customers. For the retailer, this relationship allows them to know their customers and cater to their needs. To the consumer, forming a relationship means consistency of service, and at some level, a feeling of being treated like an individual. The emergence of interactive technologies (e.g., Internet, Kiosks, Interactive TV) is changing *where* retailing is taking place, and *how* the exchange of value occurs (i.e., the promise of goods for the promise of money). But, is interactive technology really changing the essence of retailing? This section looks at the effect that technology is having on retailing from the consumer's perspective and the emergence of new electronic forms of exchanging value for value. A user interface design for electronic retailing is then presented as a case study of how electronic retailing can look beyond mere monetary transactions and address the total user experience.

4.10.2. Retailing Visualised As Problem Solving

To the consumer, shopping is primarily a problem solving activity. Whether buying a new car or a carton of orange juice, the actions consumers take and the decisions they make are in response to some fundamental problem that they are trying to solve. This fundamental process is repeated billions of times a day by people all over the world in marketplaces ranging from street markets to mega-malls, and, more recently, in the nonphysical world of cyberspace. This model drives both the mundane and the critically important decisions consumers confront in their lives. When consumers take on a new problem solving activity, they do so in the context of a lifetime's worth of experience. The decisions that a consumer makes between competing products and competing vendors are heavily influenced by past experience - experience both with the tangible goods and services being offered and with the organization offering them.

A consumer's decision to shop at a particular grocery store may be influenced as much by the experiences they have had at the checkout line as it is by the price and quality of the store's products. The challenge facing the retailer is not only to help customers solve

CHECK YOUR PROGRESS

Which of the following statements are True or False?

- i) Visual merchandising does not establish the linkage between fashion, product design and marketing by keeping the product in prime focus.

a problem, but to do so in a way that is pleasant, efficient and in some way memorable enough for them so that they will return the next time they have a similar problem or need. Through these repeated and familiar patterns of behavior, consumers establish trusted relationships with retailers.

4.10.3. Technology And Retailing:

In initial days, the pervasiveness of information technology was much more in the manufacturing and transportation sectors. The retail process was considered to be more intimate generally taking place between the customer and the store owners. One major inflexion point in the development of retailing technology came with the introduction of electronic cash register. This has over the years evolved into much more sophistication. Today's electronic cash register integrates all aspects of retailing embedded in Point of Sales Terminals (POST). Recently, information technology has become a great facilitator for both retailers and customers. The advancement in cellular telephony, wireless communications and pervasiveness of internet has made this a part of retail folklore. Technology interventions are not just behind the sales counters but are now empowered in the hands of customers through handheld devices, mobile payment gateways and electronic wallets. In fact, technologies in some ways have made physical aspects of a store redundant. Today's generation is more amenable to online retailing and virtual stores.

4.10.4. Electronic Retailing and the Exchange of Value for Value:

As was mentioned, these technological developments have given rise to the overarching concept of electronic retailing. This term implies the form retailing that happens through consumer held devices and applications outside of the physical formats of stores and enables the consumers to obtain information about products they intend to buy and if so desired, buy it online. This new paradigm is becoming more and more popular because of the emerging global information and technology infrastructure like „cloud computing. The interesting part is that though it is virtual mode, one-on-one interaction does happen in this form of retailing. However, for electronic retailing to succeed, both consumers and retailers must perceive some tangible value additions. Beyond a very pragmatic value addition to a customer, there are certain intangible benefits as well. These include just browsing with no pressure to actual shopping, or sense of looking at all features of a particular product and ability to compare with other similar products. Therefore, these set of benefits can be enumerated as under. i) Improved efficiency for customers and elimination of redundant sales associates for an e-tailer. ii) Higher degree of customer service through better access to relevant information. iii) Wider knowledge about prospective customers. This can be achieved by maintaining extensive customer information database. To sum up, it can be said that in electronic retailing the retailer can offer possibly lower price points to customers due to more efficient operations and less dependence on physical infrastructure. Therefore, e-tailing offers much greater economies of scope and scale, as well as have stronger bonding with their customers.

4.10.5. Electronic Retailing and Consumer Shopping Behavior

Through the rapid development of newer technology known as web 2.0 [and now emerging web 3.0], such technologies support networking communication and visualization experience. This helps in much improved virtual store fronts and gives better security to electronic payment methodologies. If we look at the various business processes of retailing, the very concept of physical inventory and distribution have changed with the emergence of direct electronic transaction amongst retailers and manufacturers. On the customer's side, the whole shopping experience is becoming much more pleasurable with such technology developments. Consumers are now able to browse various products and information about them, much beyond the older way of looking through a shop's window. Many interesting self service applications are becoming handy right at home. The whole banking process has undergone a radical shift.

4.10.6. Electronic replenishment of needs and Wants:

Needs and wants are part and parcel of human beings' life. These needs lead to a person's buying or acquisition behaviour. Today the technology that is available can lead to electronic fulfillment of these needs and wants.

4.10.7. Electronic search options for customers:

Like a form of electronic Yellow Pages where you "Let your fingers do the walking," hundreds of search engines on the World Wide Web allow consumers to scour the world for alternative solutions to their needs and problems. Although these search engines today do little more than to locate items of possible interest, shopping "agents" etc (i.e., autonomous programs that seek specific information), they are quickly evolving into sophisticated consumer advocates that can seek many alternatives to a specified need independent of physical location.

These search engines and agents require explicitness to be most effective. The more you can define your problem, the more you can find information relevant to it. This explicitness is of value to both the consumer and the retailer. To consumers, explicitness means being able to find exactly what they want. To retailers, explicitness is a direct and detailed expression of demand. Having a more accurate view of demand allows better decision making about supply.

4.10.8. Electronic Evaluation Of Alternatives:

It is a great feature that is offered by electronic retailers. In the past to do so, one had to identify suitable products within closer physical proximity and compare them on value for money parameter. The technological advancements have changed this comparison and evolution process before one actually buys a product. Technology now exists which provides ability to „virtually try on“ clothes digitally by electronic super-imposition of image of clothes on the digital image of a customer. In a house buying process „virtual walkthrough“ to appreciate architectural plans or „virtual driving“ to test the mechanisms of a car can be experienced prior to buying it. Banking and financial services organizations provide to

ii) A planogram is a visual description, diagram or drawing of a store's layout to include placement of particular products and product categories.

iii) Store layout describes the overall look and feel of the interior of a retail store, including the placement of fixtures and products within the store.

iv) Point of purchase display is not designed to promote a particular product or brand name.

their customers a set of „what if scenario with regard to their investments decisions. So, these powerful tools help in evaluation of many alternatives before one exercise the actual option of buying.

4.10.9. Purchase Through E-Tailing:

Today, information is emerging as a form of currency. Many examples exist on the internet and elsewhere where the “price” of access is to reveal information about yourself. For example, in exchange for answering a few questions, consumers can obtain access to products, services and information otherwise unavailable at any monetary price. This information exchange is valuable as a way to establish truly one to one relationships between consumers and retailers. Consumers benefit because the retailer better understands their needs and can react accordingly by offering products of interest, or by targeting the customer with promotions. As long as the consumer believes that the information they provide will be protected and not abused, the value received may easily exceed the perceived value of the few minutes spent answering questions.

4.10.10 Navigation:

The problems of navigation, presentation, and interaction with information in large on-line systems are crucial to the usability and acceptance of electronic retail applications. The sheer volume of information that is currently available on-line, combined with the predicted growth in access channels and services, clearly points out the need for effective and scalable navigation schemes. In most electronic retail systems today, users navigate via hierarchical menu screens. Experience is showing that this approach does not scale up beyond a few thousand items — several orders of magnitude short of what will be required in the very near future by interactive electronic shopping. For example, today's typical kiosk application employs two dimensional text-with-image navigation schemes where the user is presented with some number of textual items that they must read and choose between. Once they make a selection, a new screen appears with another set of choices and the process is repeated. The practical limits of this navigational approach is only a few thousand items. Beyond this, either the number of choices on the screen become excessive or the search depth becomes so deep that customers become frustrated and lost. A few thousand items may represent only a small percentage of the items offered by a large retail store.

4.10.11. Building and Maintaining Personal Relationships with Consumers

Manufacturers and retailers alike recognize that the relationship with their customers is fundamental to success. Nearly all retailers are concerned with “customer service”, which is usually measured as some function of speed of service, reliability, trust, and personal interaction. Having a retailer that “knows” your problems and has a stake in solving them, is extremely valuable to consumers. In electronic retailing, opportunity exists to create a different shopping experience for each consumer. Unlike traditional forms of retailing, it is possible in electronic retailing to identify each customer as they enter the

environment based on a stored profile or other forms of self identification. This creates an opportunity to create the ultimate in personalized shopping, an experience based upon specific needs and upon the knowledge and history each retailer has with their consumers. This personalization of experience must be weighed against issues of privacy and security that concern many users. Always linking the collection and use of personal information with immediate utility or reward for the user can alleviate some of these concerns. As security is largely a matter of perception, every effort must be made to create user experiences that convey trust, safety, and privacy.

4.10.12. Content:

Large retail chains are increasingly looking to electronic shopping as a means of providing better selection and greater convenience to their customers, while reducing the costs associated with building and maintaining a physical store presence. One underestimated cost is the creation and management of content. The creation of quality product information for use electronically can be extremely resource intensive, especially for a retailer that is selling the goods or services of others. Although it is possible to leverage from the existing broadcast world of print and video, this "re-purposing" of content has only limited application in a world where information is now expected to respond when touched, clicked, or downloaded. Electronic media is a new channel of communication and is subject to its own set of rules. Organizations that realize this will create content that behaves appropriately. Another, often overlooked relationship involving content is the one between a retailer's physical and virtual store presence. Since consumers will continue to shop both in physical and virtual markets, it is critical that both "worlds" are kept synchronized with each other. Several lawsuits against retailers have appeared in recent years that were based on an apparent lack of consistency between information available in different types of media. These lawsuits involved a price listed on a website that was not the same as a price in a printed advertisement. This type of problem is indicative of the complexity that occurs when creating and managing huge amounts of information in multiple formats.

- v) Store layout describes the overall look and feel of the interior of a retail store, including the placement of fixtures and products within the store.
- vi) Coca-Cola is a local brand.
- vii) Global branding lowers market costs.
- viii) Aeray Milk is a global brand.
- ix) Marks & Spencer is a Private Label.
- x) Promotion is a form of corporate communication.

4.10.13. Identity

The issue of identity is critical when users access an organization through electronic media. In the physical world, seeing the same physical store fronts day after day as part of the routine of living, builds a certain amount of brand equity. In the electronic world, this model breaks down since what is seen is almost exclusively a function of what is sought out. The experience of the retail banking industry's incorporation of technology provides an example. As a way to decrease costs, banks have aggressively promoted self-service and home banking as preferred methods of interaction. Some banks now charge for interaction with a teller, but provide electronic access at no charge. With consumers physically less dependent on a particular bank brand to service their needs, banks are vulnerable to losing valuable brand equity and identity to nonbanks such as software

companies and financial service companies. These companies have the same (if not superior) technology, but lack the long-term brand recognition and trust earned by banks over decades or more of interaction with consumers. Realizing this, some banks are making large investments in electronic branding strategies that look to maintain and enhance their brand equity. Branding an identity in the electronic landscape offers new opportunities to communicate. In addition to branded screen designs, branding is being applied to such things as interaction styles for user dialogue, prompts for voice response systems and the use of sound.

4.10.14. Infrastructure:

Providing consumers with efficient and engaging experiences in electronic media requires investment in and knowledge of computing infrastructure. Retailers can control the quality of the user experience if they own the platform and network supporting it. For in-store devices such as kiosks, this is no problem. The level of interactivity and use of multimedia such as audio and video are under the total control of the retailer and their level of investment in the technology platforms. On the Internet, however, the retailer gives up control over the consistency and, ultimately, the quality of the user experience. The Internet is not a corporate asset and the computers accessing it vary widely in their capabilities. As the user experience is dependent on the level of technology creating it, the Internet is a difficult venue to control quality and consistency. In exchange, it does offer quantity (e.g. number of visitors), which can be of great advantage to certain retailers. Recognizing the tradeoffs in both the quality and quantity of user experience and then working within them, is critical to the success of any foray into electronic retailing.

4.10.15. Social Space:

A final challenge to the success and acceptance of electronic retailing is that, unlike physical retail environments, in electronic space, individual users are often unaware of the presence of others. With the exception of "chat" rooms, the model for online services is one in which each user is made to think that they are the only person using the service. The resulting sense of isolation is in contrast to people's everyday experience of shopping as a public, social experience. It is this sense of isolation that must be addressed within the basic fabric of the on-line/ electronic experience. The challenge is to create an experience where the user is moving through an open public space and where social interactions with friends or other participants is possible at any time and any place in the virtual world. Historically, the marketplace has been an arena for both commercial and social interactions. A virtual retail marketplace should allow people to move through large offerings of products and services, examining items and making selections for purchase. It should also allow interpersonal interaction in a virtual world where people are able to shop with friends remotely, with visible representations of the other shoppers using the service, and where customers are able to interact with store staff and other shoppers over the network via the shared environment.

4.11 CASE STUDY

BEST PRACTICE – CASE STUDY OF MADURA FASHION & LIFESTYLE

Madura Fashion & Lifestyle is India's largest lifestyle retailer, operating through a host of retail formats. It has more than 850 exclusive branded outlets with over 1 million square feet of retail space across the country. The company's brands are also present in over 100 department stores. All major department stores like Central, Lifestyle, Shopper's Stop, Reliance and Max, to name just a few, stock different Madura brands. Madura Fashion & Lifestyle has a superb portfolio of brands straddling mid-price, premium and super premium segments. The retail presence and expansion strategy across different cities and locations has been done keeping in view the positioning of each brand and the relevance of the catchment. Premium brands, namely Louis Philippe, Van Heusen and Allen Solly are predominantly present in the metros and top cities. Peter England, a brand focused on the mid-price segment, has a significant presence in tier II and tier III cities, apart from metros and top cities. The company's brands are present in top malls and high street locations across the country. Madura Fashion & Lifestyle constantly strives to implement best-in-class retail practices. The goal is to delight the consumers with service excellence in a worldclass ambience. As part of this endeavour, the following have been implemented: Store Standard Operating Procedures to enhance and standardize store operations:

xi) Marketing than sales promotion are very effective in creating interesting product.

xii) Sales promotion techniques is not designed to move customer to some action.

xiii) Interest had increased the option that allow customer to provide quick feedback

- ◆ Consumer feedback and complaint processes to capture consumer opinion and closely engage with the consumer
- ◆ Store engagement processes to effectively manage store staff recruitments, training, evaluation and reward mechanisms
- ◆ A franchisee framework to enhance the quality of relationship with franchisees
- ◆ A Brand Retail Identity guide to express and standardise the brand point of view in terms of looks and ambience in retail
- ◆ Projects and store launch processes to ensure quality of store launches. The intent is to launch the store well in all respects so as to meet consumer expectations in terms of store ambience, merchandise and quality of service
- ◆ A Mystery Shopper Programme to monitor the level of adoption of the above initiatives at store and identify areas of improvement
- ◆ Store score cards to capture performance of stores across key parameters and plug performance gaps As the different brands expand geographically, the range of product offerings to the consumers has also gone up. Madura Fashion & Lifestyle has implemented robust and scalable retail-related IT infrastructure and applications to manage the complexity of the business.

Going forward, Madura Fashion & Lifestyle expects a substantial part of its revenues to come from retail. The substantial strength it derives from its current retail

footprint, retail processes and infrastructure will enable Madura Fashion & Lifestyle to capture the growing opportunities which India has to offer. *Source:* http://www.madurafnl.com/our_presence/retail.html

4.12 SUMMARY

Visual Merchandising is the art of displaying merchandise in a manner that is appealing to the eyes of the customers. Visual merchandising includes window displays, signs, interior displays, cosmetic promotions and any other special sales promotions taking place. Visual merchandising also provides a differentiated shopping experience and hence increases the probability of brands getting purchased at the point of differentiating experience. Visual merchandising adds value to many products where prices are not universal and the same is highly profitable when it comes to store brands and private labels. There are various types of visual merchandise displays which are window display, interior display, Point of purchase display, the trend away from window, industrial and exhibition visual merchandising etc. There are certain things which a retailer needs to take care while proceeding with the process of displaying his products. These components when combined together in a proper ratio will make a successful outcome.

Brand names come in many styles, such as acronym, descriptive, alliteration and rhymes, evocative, neologisms, foreign word, founders' names, geography, personification, etc. With the emergence of strong Retailers, Private Label Brand, also called own brands, or Store brands, also emerged as a major factor in the marketplace. However, much depends on each chain's ability to design and source Private Label product efficiently.

Retail marketing plans, sales promotion ideas, branding and advertising resources for retailers. This unit provides a great platform to learn how to use loss leaders, media buys and sales events to the benefit of your retail store. Sales promotion describes promotional methods using particular short-term techniques to persuade members of a target market to respond or commence certain movement. As a reward, marketers offer something of value to those responding normally in the form of lower cost of ownership for a purchased product (e.g., lower purchase price, money back) or the inclusion of additional value-added material (e.g., something more for the identical price).

Electronic retailing (e-tailing) is a buzzword for any business-to-consumer (B2C) transactions that take place over the Internet. E-retailing simply means retailing over internet or selling of retail goods on the internet. In simple words, we can say that etailing is nothing but shopping through the internet or other media. Further the unit speaks about the latest trends of technology in retailing. It also touches upon the main factors which influence adoption of a specific technology. It ends, with a set of precautions which a retailer must keep while planning to go for introduction of technology or for acquiring a new technology issues Impacting Retail Business in India

4.13 ANSWER TO CHECK YOUR PROGRESS

i) False	ii) True	iii) True	iv) False	v) True
vi) False	vii) True	viii) False	ix) True	x) True
xi) True	xii) False	xiii) True		

4.14 QUESTIONS / EXERCISES

1. Define visual merchandising. Describe in detail the types of visual merchandising displays.
2. What are the various components of visual merchandising? Explain them in detail.
3. What are the different variables in visual merchandising? Discuss them in detail.
4. What is meant by signage? How digital signage project is implemented? Explain in detail.
5. What do you mean by Private Labels? Write the challenges faced by Private Labels.
6. How do Private Labels help the retailer?
7. Giving suitable examples, describe the significance of Private label in Indian context.
8. What is the need for adopting technology in Retailing?
9. With example give the factors which influence adoption of technology in business.
10. Describe how technology will play an important role in Merchandising.
11. What is e-retailing? Explain the components of e-retailing
- 12) "E-tailing is a new concept in India and online retailing is a tedious task here" Comment on this statement.

4.15 FURTHER READINGS

Books

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- ◆ British Retail Consortium: <http://www.brc.org.uk>
- ◆ Institute for Retail Studies: <http://www.marketing.stir.ac.uk/irs/>
- ◆ Centre for Retail Research: <http://www.retailresearch.org/home/index.php>
- ◆ Interactive Media in Retail Group: <http://www.imrg.org/>
- ◆ The Committee for the History of Retailing and Distribution: <http://www.wlv.ac.uk/shass/chord.html>
- ◆ Forrester Research Retail: <http://www.forrester.com/Research>
- ◆ Chain Store Age (USA): <http://www.chainstoreage.com>
- ◆ National Retail Federation (USA): <http://www.nrf.com>.

UNIT 5

Structure

- 5.1 Understanding of Retail Shopper Behaviour
- 5.2 Unit Objectives
- 5.3 Shopper Profile Analysis
- 5.4 Shopping Decision Process
- 5.5 Factors influencing retail shopper behaviour
- 5.6 Complaints Management
- 5.7 Retail Sales Force Management
- 5.8 Challenges in retailing in India
- 5.9 Summary
- 5.10 Answer to Check Your Progress
- 5.11 Questions / Exercises
- 5.12 Further Readings

5.1. UNDERSTANDING OF RETAIL SHOPPER BEHAVIOUR

5.1.1. Introduction:

A successful retail organization comprehends its market, its customers and the implication of strategic locality in a more systematic manner, so that the competition in the retail industry can be easily tackled. Such organizations need the most important micromarketing tools to examine where to put new stores, set up customer profiles, and establish finest marketing practices in order to attract new customers. In retailing, the customer is the reason for the existence of the retailer. People who make the purchase are the ones who drive the business. A success of a retailer will depend on how well she/he identifies and understands her/his customers. All retailing efforts should be directed at the individuals who will inevitably purchase the product or services offered by the retailer.

A retailer needs to research that their customers are and how do they make their purchases. Retailers use a number of methods to identify their consumer base. The behaviors exhibited by the customer when they shop for goods or services will tell a great deal about them. Customer –centric is the essence of retailer. Customer-centric means that the whole thing you accomplish—from the products that you bear, to the surroundings that you lay them in, and the staff that you have to provide those customers—is centered on and about customers and their experience in our store. There is a huge dissimilarity between merely serving a customer and centering the whole thing you do on the customer's specific needs and fulfillment.

5.1.2. Definition of a Retail Customer

The term 'Customer' is used for a person who buys the product from a manufacturer or trader or retailer, but may or may not be the actual user of the product. The customer

in turn may sell or gift or use the product bought by him/her. When a customer uses the product purchased by him/her then he or she becomes a consumer. Thus, a person who had purchased the product is called “customer” and the person who actually used or consumed is called “consumer”. For an example, a person purchased a shirt and gifted it to his son on his birthday. Here, the person who purchased the shirt is the customer and the son who used the shirt is the consumer.

For our definition of ‘Retail Customer’ “He or she is the person who purchases the product directly from a retail store”

5.1.3. Classification of Retail Customers

The retail customers can be classified into five categories viz., Discount Customers, Impulse Customers, Need-Based Customers, Wandering Customers and Loyal Customers.

Loyal Customers

These are customers who visit the store often. They normally represent no more than 20% of our customer base, but can make up for more than 50% of the sales. Naturally, retailers need to be communicating with these customers on a regular basis by telephone, mail, email, etc. These people are the ones who can and should influence our buying and merchandising decisions. Nothing will make loyal customers feel better than soliciting their inputs and showing them how much as a retailer you value it. Many a times, the more you do for them, the more they will recommend you to others. Hence, loyal customers should form an important basis of a retail selling strategy.

Discount Customers

These customers are also called “Bargain Hunters”. They shop in the stores especially when there is a sale on. Their buying decisions are based on the size of the markdowns (discount). This category of customers ensure better inventory over turn and, as a result, it is a key contributor to cash flow. This group of customers, however, can often wind up costing you money because they are more inclined to return product.

Impulse Customers

These customers do not plan their purchases. They are mainly window shoppers. They do not have plans to buy a particular item at the top of their “To Do” list, but come into the store on a whim. They will purchase what seems good at the time. Visual merchandising in store and the window acts as a silent salesman for these customers. Clearly, this is the segment of our clientele that we all like to serve. There is nothing more exciting than assisting an Impulse shopper and having them respond favorably to our recommendations. Retailers want to target their displays towards this group because they will provide with a significant amount of customer insight and knowledge.

Need-Based Customers

These are customer who plans what they have to purchase. They have a specific intention to buy a particular type of item. They do not spend too much time in the store. They do not normally do impulse purchases. People in this category are driven by a specific need. When they enter the store, they will look to see if they can have that need filled quickly. If not, they will leave right away.

Wandering Customers

They have no specific need or desire in mind when they come into the store. They like to spend time in the store but they seldom buy. For many stores, this is the largest segment in terms of traffic, while, at the same time, they make up the smallest percentage of sales. There is not a whole lot you can do about this group because the number of Wanderers you have is driven more by your store location than anything else. Although they may not represent a large percentage of your immediate sales, they are a real voice for you in the community. Many Wanderers shop merely for the interaction and experience it provides them. Since they are merely looking for interaction, they are also very likely to communicate to others the experience they had in the store. Therefore, although wandering customers cannot be ignored, the time spent with them needs to be minimized.

Since a retailer is serious about growing his business, he needs to focus his effort on the loyal customers, and merchandise the store to leverage the Impulse shoppers. The other three types of customers do represent a segment of the business, but emphasizing too much on them means misdirecting the resources.

5.1.4. Retail Shopper Behaviour

Inspite of the Internet making inroads in the shift of shopping behaviour, majority of the customers still prefer to purchase through stores. Stores remain popular because of the following basic reasons:

- Need to touch and feel the product prior to buying.
- It allows social interaction and the opportunity to compare brands at one place.
- It instigates impulse buying by the look and physical feel of the product such as chocolates, snack foods and magazines.
- Customers also look for ambience and convenience in shopping.
- Consumer money drives the economy, and retail is where consumers spend their money-such as in boutiques, restaurants, discount stores, and e-tailers.
- Consumer shopping behaviour can be understood analysing factors such as demographic, psychological, or the lifestyle of the consumer.

Retailers are required to have better understanding of consumer benefits their perceptions and attitudes and how they influence the development of successful retail marketing strategies. Effective retailing requires an appreciation of the buying behaviour

of consumers. Retailers must understand their consumers better so that they can both respond to and anticipate their needs proactively.

Some of the major criteria for the right approach to a customer need are:

- Ø Creating the right environment
- Ø Listening to customers
- Ø Providing rewards to frequent buyers
- Ø Realising the lifetime value of a customer and ensuring loyalty

The concept of life time value customers is employed in relationship building and marketing. The ongoing process of identifying and creating new value with individual customers over a lifetime of a relationship is termed as relationship marketing. This is important as it is much harder to attract new customers than it is to retain old ones. It is a blend of product, quality and services.

Most of the prominent retailers such as Shopper's Stop, Pantaloon and a host of others emerging retailers now have loyalty programmes for their regular consumers.

5.1.5. Understanding retail shopper behaviour:

You are aware that consumer behaviour follows no fixed pattern and is therefore very difficult to map. However it essentially encompasses, the study of how consumer makes decisions to use their resources like time, money and effort for buying, using and disposing goods and services.

In retail, marketers are keen to know the consumers shopping behaviour, which involves an understanding of decision variables like when where, and what to shop. These decisions variables are the factors to be considered by the retailer.

According to the consumer needs the retailer's evolve the best possible mix to attract the target consumer. The shopper's response to retail marketing mix has an impact on the firm's success in the long run.

Individual consumers consider each element of retail marketing mix in relation to their culture, attitude, previous learning and personal experiences. The consumer is influenced intrinsically by his/her needs, motives, perceptions, and attitudes and extrinsically such as family social class the culture and economic factors which affect his behaviour. These elements would help the retailers to place their retail marketing mix with their respective target segments.

It is important to know what and from where the shoppers shop and the reasons that prompt their shopping behaviour. Consumers buy products. Successful products are those that provide the tangible or intangible features necessary to realize the consumer's expectations of benefits.

Personal Factors:

Personality is best defined in general terms; a general response pattern used by individual in coping with their environment.

Role-playing:

Shopping activities are learned behaviour and are expected or accepted as part of ones position or role, for example if your parents have been shopping at a certain store then you would prefer to shop at the same store.

Diversion:

It can be a diversion for the consumer from the daily routine and is a form of recreation. A visit to a mall or a shopping center is a diversion shopping as it is not your usual shopping area

Self gratification:

Shopping may be motivated not by the expected utility of consumption, but the utility of their buying process itself thus ones emotional state or mood may explain why or when someone shops.

Learning of new trends:

Shopping provides an individual information about latest trends movements and product symbols reflecting attitude and life style. When you go window-shopping you learn new trends and styles.

Physical activity:

It involves a considerable amount of exercise too when you go for a walk you would also complete your shopping.

Sensory stimulation:

Provides sensory benefits such as touch and feel of merchandise listening to the sounds (Music) and smelling scents. When you move around a store or a shop.

Social Factors:**Social experience outside home:**

It can help in seeking new acquaintances encounter with friends or just watching people around.

Communication with other's with similar interest:

It also provides opportunity for interactions with other consumers or sales people to get to know more information.

Peer group attraction:

Certain store may also provide a meeting place where members of peer group may gather for instance a visit to the local mall or shopping center to meet your friends or peer group.

Status and authority:

Shopping provides an opportunity to attain status and power by being waited.

Pleasure bargaining:

Shopping may offer the enjoyment of gaining a lower price through bargaining or comparison shopping or by visiting special sales offering discounts and rebates.

5.2. UNIT OBJECTIVES

Retailing is changing at the moment, and the successful business will be acquainted with how to recognize, become accustomed, and sketch the future path with these changes. This unit provides the learner with a comprehensive view of managing customers with a flavor of retailing, an examination of the retail atmosphere and experience in the retail industry in particular. Comprehend the holistic view about retail customers, Identify the different types of customers and their perception towards retail

To know what problems and opportunities retailers face to create consumer pull; understand factors that influence consumer behaviour; have an understanding of consumer decision making processes; understand how various factors influence consumer behaviour and expenditure patterns; understand the influence of situational variables on shopping behaviour;

Describe the significance of human resource management in retail; identify different areas of retailing where Human resources play a critical role.

5.3 RETAIL CUSTOMER PROFILE**5.3.1. Introduction:**

Considerable research has been aimed at describing consumer profiles in a way that is useful for retailers. Each retail outlet has its own share of customers based on their type of segmentation they follow. The profile also depends on the area, environment and locality and type of city it belongs to.

Shoppers at Wal-mart and Kmart have older customers, while shoppers at Target have higher household incomes and are younger. Monthly shoppers at Home Depot Retail store earn higher household incomes than shoppers in general.

Some retail outlet represent older people and some represent younger people and few other represent middle age people.

The type of apparel people wear for shopping may vary from casuals to formals on a working day. People prefer wearing casual clothes while shopping, only few wear business suits and business dresses.

Today's trend is that, the younger generation decides where to spend and how much spend and also have influence on their parents' spending. Their numbers are good for retailers. Much of their spending goes towards clothing items, particularly sports wear, fashion wear, and also like to spend on food and cosmetics and also on entertainment.

5.4. RETAIL CUSTOMER DECISION PROCESS

5.4.1. Introduction to Stages of shopper decision process:

Imagine having to buy yourself a new cell phone. The first step in this process is of course to recognize that you need a new cell phone. Though you may have an idea of which phone you would like to purchase, you probably want to do some research in order to narrow down a few alternatives.

You go online to investigate manufacturers, resellers, and independent consumer organisations, you ask friends and colleagues for advice, and you visit a few stores to check yourself.

You compare your options and finally decide to purchase what seems to be the best alternative, based on different criteria such as design, features, price, and trustworthiness of the supplier. Once you have the phone in your possession, you assess whether it lives up to your expectations. You might find that the phone is able to deliver what the manufacturer has promised, but the user interface seems to mismatch, and therefore you decide not to buy this brand in future.

5.4.2. Decision Making Process – Stages:

The decision-making process can be described in five different stages:

Depending on the consequences of making a wrong decision, the complexity of this process can range from careful analysis to pure impulse. While an impulse buy, such as buying a packet of chewing gum, can take place instantaneously, complex purchases mostly stretch over a long period of time.

This buying process is an iterative process, where people collect information from different sources and repeatedly return to re-evaluate and compare the information they have found.

By understanding customer needs and concerns as they progress through the decision making process, marketers can build better and more successful retail marketing mix.

In the retail context, a marketer is concerned about shopping decisions such as when, what, how and from whom the consumers purchase and the frequency of purchase. Post purchase behaviour may take the form of cognitive dissonance.

TYPES OF CONSUMER DECISION MAKING PROCESS

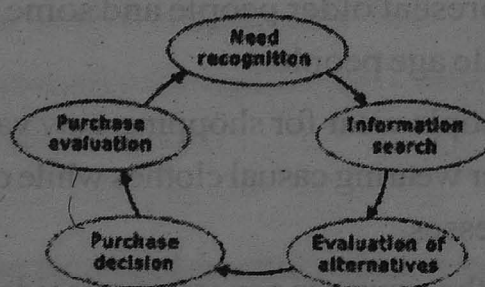


Figure 4.5

Decision Making Stage1. Need Recognition:

The Web as you will agree has turned out to be a great tool for information research, and studies show that the Internet is becoming the primary means by which people get key information. This counts for commerce in particular. People expect to be able to find information about products they are considering buying, even if a company doesn't sell its products online. Considering peoples' high expectations about the information and services available online, it's disturbing to see just how bad commerce web sites are at selling.

Researchers have discovered that the online buying process acts as a sieve, where customers are inadvertently filtered out at each stage of their decision-making process. Studies show that out of 100 purchase-ready customers completely intended on buying a product, only 34 will accomplish their goals. At the information search stage, 9% wasn't able to find the products they were looking for because they couldn't identify the right product category or find product options using the search facility. 8% of the shoppers who succeeded in finding products gave up because the product lists didn't provide enough information to identify purchase options, or because they were confused by going back and forth between product lists and product description pages in order to decide if the products would fit their basic needs. Researchers found that the major problems occur when customers want to evaluate their product alternatives. Only 25% of the shoppers who reached this stage proceeded to the next. Some stopped because they realized that none of the products would fit their needs, but most because the product information was so inadequate that they couldn't tell if the products they were interested in satisfied their needs. At the purchase stage, 13% dropped out because they didn't want to go through the required registration process or because they were disappointed by poor shipping charge policies. A-surprisingly high amount of problems appear in the purchase evaluation stage. 11% of the shoppers are either so unhappy with a product that they return it, or didn't receive the product at all, or got the wrong product. Some of the shoppers returned a product because it wasn't what they expected, which suggest a failure in setting up the right expectations in the product evaluation stage.

The most interesting thing about consumer decision process is that while critical usability problems do exist in the design of the commerce site, such as users not being able to find products and bad design of checkouts, the majority of dropouts happened because of inadequate product information:

- Customers couldn't identify purchase options from the products list.

- Customers couldn't decide if the products would satisfy their needs.

The product presentations and descriptions raised wrong expectations, -which made customers return their purchases.

Commerce sites simply fail in supporting the consumer decision-making process, by not taking their customers' information needs into, account.

Research of customer needs can be done in several ways. An effective and economical method is to collect information during a workshop with salespeople who are in contact with customers on a daily basis. Generating user profiles and scenarios is a great way of collecting this information. With a more extensive budget, interviews with customers and observations of their shopping behaviours can be conducted, in order to validate the generated profiles and scenarios.

No matter how we choose to conduct our research, there are some basic things we need to know about the customers in order to be able to support their decision-making process.

Decision making Stage 2. Information search online

The basic prerequisites for customers to make their way through the information search stage are that they are able to find products and that they can easily identify purchase options from the product list pages. Thus, in order to support the customer decision-making process at this stage, we need to know:

- Which words will customers use when browsing and searching for purchase options?
- What basic information do customers need in order to identify purchase options?
- What educational information do novices need in order to decide which product criteria are important to them?

Decision making stage 3. Evaluation of Alternatives

The problem at times with consumer decision making process is that there's no one to ask if you have a question. We see how a large number of customers drop out at this stage simply because the product information was so inadequate, that they couldn't decide whether the products they were interested in would fit their needs. A commerce site for online decision making process should act as a skilled offline salesperson, and have answers ready to any question or concern that the customer might have.

Some of the critical questions that we need answers to are:

- § What detailed product information does the customers need when evaluating product alternatives?
- § Which product evaluation criteria will customers use and which are most important to the customers?
- § Which concerns will the customers have about the products and how can we address them proactively?
- § How can we encourage customers to contact the sales and support department if they have further questions?

Decision making stage 4. Purchase Decision

At this stage emphasis should be on providing the easiest possible way for the customers to carry their orders through. If the products are sold online, we should remove obstacles such as poor registration, exorbitant shipping charges if any. If products are not

sold online, customers would want an easy way to find out where and how to buy, or an easy way to contact the sales department.

Decision making stage 5. Purchase Evaluation

The outcome of the post-purchase evaluation stage is a level of customer satisfaction or dissatisfaction, which is determined by the customer's overall feelings about the product and buying experience.

Besides not receiving the product at all or getting the wrong one, many customers returned their purchases because the products didn't live up to their expectations. This problem is a consequence of not encouraging accurate customer expectations at the product evaluation stage. In order to avoid this, we have to make sure that the content presenting the products set up the right expectations. **Example:** Foodworld supermarkets provide home delivery to consumers if the purchase bill is above Rs.2000/month.

Thus, on the basis of the nature of decision one can classify the Retail Shopper purchases into three categories:

Routine Buy: This refers to those transactions where the buyer reorders from a regular store without any modifications and on a routine basis. For instance, newspapers, bread, milk and high frequency items are purchased from shops in the vicinity.

Modified Rebuy: This refers to those transactions where buyers want to modify product specifications, prices terms, or suppliers. It usually involves more time and information. For example if a particular store does not have the product a consumer wants, he/she may seek advice from the retailer concerned. In case he does not give credence to the retailers advice, he may start information search online or other sources to shortlist his purchase decision.

New Product Purchase: This refers to those transactions where a consumer purchases a product or considers visiting a retail store for the first time and therefore require extensive information to evaluate the decision making process.

5.4. 3. Retail shopper levels of decision making:

Further, on the basis of the effort required for purchase or the level of involvement, one can categorize the nature of consumer decision making into the following four levels:

1. Extensive decision making/problem solving
2. Routine response
3. Limited decision making, and
4. Impulse buying.

These four levels are strongly correlated to the kind of product that is purchased.

Extensive Decision Making/complex High Involvement

This usually happens for unfamiliar, expensive and infrequently bought products examples include purchase decision for cars, homes, computers and education. For such transactions, an individual has to spend a lot of time seeking information. The information sources one uses for such purchase are mass media, friends and relatives, store personnel etc. For such decisions consumers go through all stages of the buying process.

Limited Decision Making

This happens when an individual purchases a product occasionally and is required to look for a different brand or retailer for a product one is used to because of non availability or non-performance.

Example: Clothes, utensils, crockery-essentially where the consumer is aware of the product class and not the brand.

Routine Response/Programmed Behaviour

This is observed in case of low involvement frequently purchased and generally low cost products. They require little search and decision efforts and are purchased automatically.

Example: buying grocery items from a particular retailer.

Impulse Behaviour

This relates to those purchases that do not involve any conscious planning. Examples are soft drinks which occurs due to sighting of the advertisement or the product at the outlet.

A particular product does not confine itself to one category of decision making behaviour product can shift from one category to the next. For example selecting a restaurant for dining out for someone not used to it may involve extensive decision making, but on the contrary it would be a limited decision making for someone used to frequent dining out. Therefore most of the eating joints locate their outlets at all possible destination shopping centers.

5.44. Consumer Decision Rules

Consumer decision rules as you need to understand are basically guidelines for any retailer to help tune his service/product proposition. They are classified into two categories, namely compensatory and non-compensatory.

Compensatory Decision Rule

On the basis of compensatory decision rule, a shopper evaluates score or brand after scores in a considered set.

Example: On the basis of research study while selecting a restaurant a prospective consumer will select 'Haldiram' in comparison to 'McDonalds' and 'Bikaner' on several counts of features desired as shown in table below:

Compensatory evaluation of McDonald's Haldiram Bikaner restaurants

Features

Cuisines available	5	8	8
Service	8	6	7
Price	7	9	8
Distance	7	8	4
Atmosphere	5	5	6
Total	32	35	33

5.5. FACTORS INFLUENCING RETAIL SHOPPER BEHAVIOUR

5.5.1. Introduction:

A consumer's purchase decision tends to be affected by these four factors:

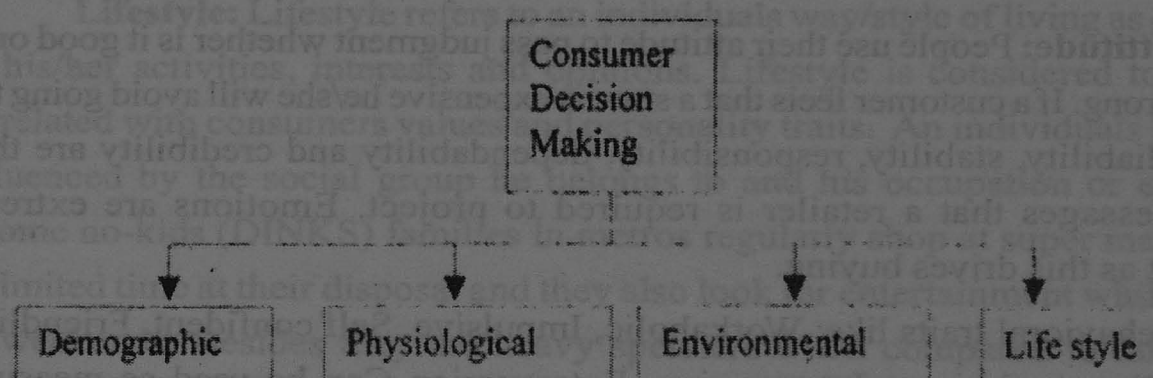


Figure 4.4

I. Demographic factors: Demographic factors are unique to a person. It involves identification of who is responsible for the decision making or buying and who is the ultimate consumer. All stores have focused themselves on respective segments based on factors such as age, income family size, gender, occupation, etc. For example a designer store of garments is usually located in an up market shopping center or Mall. If this is in a low-income group residential area the store will not be viable.

II. Psychological Factors: Psychological Factors refer to the inner aspects of an individual. An understanding of consumer's psychology guides the retailer's segmentation strategy. Consumers respond differently towards the same retail marketing due to their respective motives, personality, level of involvement and attitude.

Motives: Motivation is prerequisite for any action this includes buying. It stimulates the need. If you have a headache buying a medicine is a motivation. The need to have the latest fashion in clothes, mobile phones etc. is also a motivation.

Perception: Perception is the process by which consumers attach meaning to incoming stimuli by forming mental pictures of persons, places and objects. Stimulus reception is accomplished through the five senses that is sight, sound, taste, touch and smell. The consumer feels that what he/she sees (hear, feel, taste and smell) is what they get.

Learning: Learning is the process of acquiring knowledge through past experiences. If you visit a store and the treatment you receive will be the criteria for repeat visits to the store. If the experience with the sales team was good then you may visit the store even if it is slightly more expensive than the store where the service was bad. Free sampling/trials etc. are also ways of making the consumer learn about a product and its attributes. If the customer sees, hears, feels, tastes or smells a product he/she learns more about the product and its attributes. A retailer must encourage a consumer to touch and feel the product so that his visit could turn into a buying experience. By offering customer satisfaction the retailer can be rest assured of having a loyal customer which is easy to retain than to generate a new customer.

Attitude: People use their attitude to pass judgment whether is it good or bad, right or wrong. If a customer feels that a store is expensive he/she will avoid going to the store. Reliability, stability, responsibility, dependability and credibility are the all strong messages that a retailer is required to project. Emotions are extremely important as this drives buying.

Behavioral traits like: Workaholic, Impulsive, Self confident, Friendliness, Adaptability, Ambitious, Introversion, Extroversion Can be used as measure to represent consumer buying behaviour.

III. Environmental Factors: Environmental factors are both physical and social factors. This includes physical objects (goods and outlets), spatial relationship (location of shopping center and merchandising stores) and social factors (reference groups and opinion leaders). The environmental factors influence consumer wants, learnings, motives etc. which in turn influence affective and cognitive responses and therefore shopping behaviour of the individual.

IV. Social Class: Social class is referred to as the classification of members of society into a hierarchy of distinct status and class. Social class is measured by variables such as education, occupation, wealth, and ownership of assets. Market research has established a link between social class and consumer attitudes concerning shopping behaviour.

Middle class and higher sections of society prefer to shop for grocery items once a month from a particular shop. They usually prefer stores offering variety and range of choice. Lower sections of society usually purchase on a daily basis. They are also not particular about the shop they purchase from.

Social status of an individual plays an important role even in determining the frequency of purchase. Majority of the middle class consumers prefer to buy vegetables in the morning for their freshness despite the prices being on the higher side, on the contrary the lower end sections of the society prefer to buy at dark to get benefit of low prices.

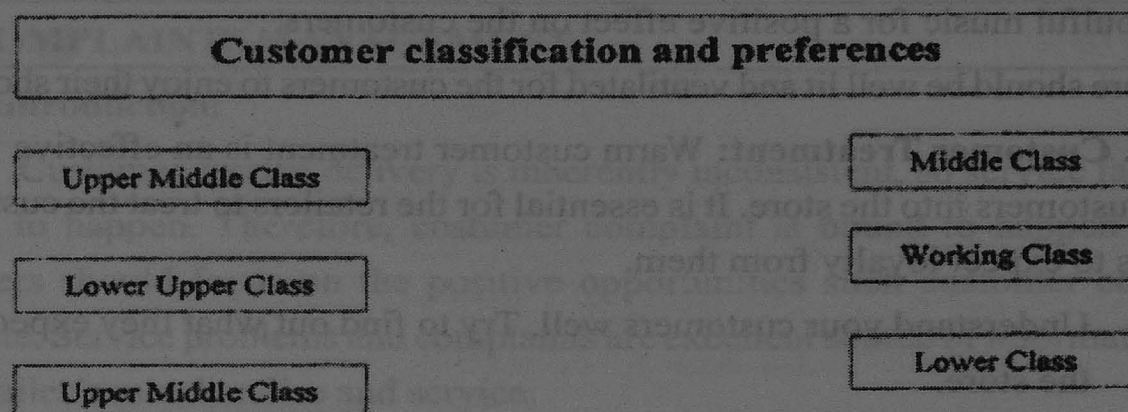


Figure 4.1.1

Lifestyle: Lifestyle refers to an individuals way/style of living as determined by his/her activities, interests and opinions. Lifestyle is considered to be highly correlated with consumers values and personality traits. An individuals lifestyles is influenced by the social group he belongs to and his occupation or e.g., double income no-kids (DINKS) families in metros regularly shop at super malls because of limited time at their disposal and they also look for entertainment while shopping on weekends. Besides they are heavy spenders when compared to families with single income.

5.5.2. Other Factors Affecting Buying Decision of the Customers at the Store:

There are several factors along with the above said factors which affect the buying decision of the customers. They are as follows:

1. Store Display and Presentation of Products: The store display plays an important role in influencing the buying decision of the customers. It is the display of the store which attracts passing individuals into the store. The store must have an attractive display to entice the customers. Shopping may be the last priority for an individual but a creative display encourages him to spend on shopping.

- ◆ A retailer must intelligently display the latest trends on mannequins to prompt the customers to buy the same.
- ◆ Make sure the products are kept on their respective racks. The merchandise should not fall off the shelves.
- ◆ Since most of us are right handed; we tend to go towards the right side of the store, the moment we step inside. The retailer must thus display expensive and unique merchandise on the right side of the store.

- ◆ Remove old stock from the shelves.

2. Ambience of the Store: The store ambience plays an important role in attracting new customers and retaining existing ones.

- ◆ A customer would never purchase anything from a store which is not clean. Foul smell irritates individuals and thus they leave in no time.
- ◆ Play soulful music for a positive effect on the customers.
- ◆ The store should be well lit and ventilated for the customers to enjoy their shopping.

3. Customer Treatment: Warm customer treatment is an effective way to pull the customers into the store. It is essential for the retailers to treat the customers like kings to expect loyalty from them.

- ◆ Understand your customers well. Try to find out what they expect from the store.
- ◆ The sales representative must greet the customers with a warm smile. It makes a difference.
- ◆ Assist them in their shopping.
- ◆ Never oversell.
- ◆ The retailer must never lie to the customers. If something is not looking good on them, be honest and give them a correct feedback.
- ◆ If a customer comes for an exchange, don't be rude; instead help him with an alternative.

4. Store Design and Layout: A customer would never prefer shopping from a store which gives a cluttered look.

- ◆ There should be ample space in the store for the customers to move and shop freely.
- ◆ Put stickers and labels (size, colour, FS (Full sleeves), HS (Half Sleeves) and so on) on the shelves and racks.
- ◆ Don't stock unnecessary furniture and fixtures in the store.
- ◆ Classify the complete range of merchandise into small groups (categories) comprising of similar and related products. Categories help the customers to locate the products easily.
- ◆ A store must have a trial (change) room.
- ◆ Individuals avoid places where there is a parking hassle. The store should have an adequate parking space.

5. Other Factors

- ◆ Discounts and rebates influence the customers to shop more. A customer might not need a product, but a discount will encourage him to purchase the same as he would now get it at a lower price.

- ◆ Promotional schemes like free gifts also affect the buying decision of the customers. A Free T Shirt with a pair of jeans would definitely prompt the customers to shop more.
- ◆ Customers also indulge in shopping to redeem their coupons and avail discounts.

5.6. COMPLAINTS MANAGEMENT

5.6.1. Introduction:

Customer service delivery is inherently inconsistent, so service failures are bound to happen. Therefore, customer complaint is bound to happen in retail. Retailers should focus on the positive opportunities such customer complaints generate. Service problems and complaints are excellent source of information about the retailer's merchandise and service.

Service problems enable a retailer to demonstrate his commitment to provide high quality customer service. By encouraging complaints and handling problems, a retailer has an opportunity to strengthen its relationship with its customers.

Most retailers have standard policies for handling customer complaints. If a correctable problem is identified, such as defective merchandise, retailers may either offer to replace the merchandise or give a credit towards future purchases or give cash refund. In many cases the problem can be heard to identify whether it is uncorrectable or a result of customer's unusual expectations. In such cases, service recovery might be more difficult.

5.6.2. Complaints Management Strategies:

Retailers follow this step for effective service recovery.

1. Listen to the Customer:

Customers can become very emotional over their real or imaginary problems with the retailer. Often this emotional reaction can be reduced by simply giving customers a chance to get their complaints off their chests. Store employees should allow the customer to air their complaints.

Accuracy of billing, meeting promised delivery dates Guarantees and warranties, return policy, Appearance of the store, salespeople, Personalized service and communications, recognition by name, Understand customers' needs. Prompt service, queries, calls and e-mails are answer quickly. Interact with enthusiasm. without interruptions. Interruptions can further irritate customer. Store managers should be empathetic towards a complaining customer and should be happy to receive the complaint. Employees should receive carefully to determine what the customer perceives to be a fair solution to his complaint.

2. Providing a Fair Solution:

When handling a complaint, the store employee must focus on how they can win the customer back, not simply how they can solve the problem. Favorable impression arises when customers feel they have been treated fairly. Customers typically prefer tangible rather than intangible resolution to their complaints.

If tangible solution is not possible, the best alternative is to let the customer feel that their complaint will have an effect in future. This can be done by taking notes in front of the customer or writing to the customer about actions taken to prevent reoccurrence of similar problems in the future. It is important that solution to the complaint is perceived as fair by the customer. As solution is be win-win for the customers and the retailer discontent with the procedure used to handle a complaint can overshadow the benefit of a positive outcome.

3. Resolve the Problems Quickly:

Customer satisfaction is affected by the time it takes to get an issue resolved. The faster the issue is resolved, the better. Retailers can minimize the time to resolve complaints by reducing the number of people the customer must come in contact with. As a general rule, store employee who deal with customer should be made as self-sufficient as possible to handle the problem. Customer is more satisfied when the first person they contact can resolve a problem. When customers are referred to several different employees, they waste a lot of time repeating their story and also the chance of conflicting responses by store employees increases.

Effective service recovery significantly increases customer satisfaction, and produces positive word of mouth publicity to the retailer.

5.6.3. Complaints Management leads to Retention of Customers

The retention of the customer is integral to the existence of the retailer. The ability to understand the customer is the key to developing a successful retail strategy. A key factor in understanding the customer is identifying the target customers for the product or service i.e. the target segment, and the demographics of that segment, their needs and buying behavior. Segmentation of the market enables the retailer to identify the larger segment and to serve them profitably, to identify other segments that can be targeted by marketing efforts to achieve added profits and to decide all marketing and advertising programs.

5.7. RETAIL SALES FORCE MANAGEMENT

5.7.1. Objectives

Retail sales force management involves training and retaining of the human resources and ensuring their optimum utilization in a retail store and planning of recruitment, training, motivation and evaluation of performance appraisal, compensation and rewarding finally how to manage human resources, with respect to retail store.

5.7.2. Introduction

To remain workable the organization needs to be effectively staffed with the best qualified persons in each position. Retail is a labour intensive industry; a human resource of the organization is a critical factor in the success of the retailer.

Human Resource management is a very important in retailing because employees play a major role in performing critical business functions. Retailers rely on people to perform the basic retailing activities such as buying, displaying merchandise, and providing service to the customer. This unit will deal with the major areas of managing human resource like recruitment, selecting, training, supervising, evaluation and compensating sales associates.

5.7.3. Managing Human Resource

The process whereby individuals or persons are put to take measurement in the energetic running the task in an organization. The name is suggested Manpower (Human Power) management. Managing human resource plays a noteworthy role in a successful retail business. A well managed human resource will give a retailer advantage over his competitors. Since retail is a labour intensive industry, labor cost accounts for a significant percentage of a retailer's total expenses. Effective management of employee can produce a cost advantage for the retailer. The experience most customers have with a retailer is determined by activities of employee who select the merchandise, display the stock on the shelves, and provide service on the floor. An employee thus can greatly influence the customer's perception about the store. The differentiation and retailer makes with his efficient employees cannot be duplicated by other retailers.

5.7.4. Utilization of Manpower Management - Productivity of Employee:

The objective of human resource management is to align the capabilities and behaviors of employees with the short-term and long-term goals of the retail firm. Productivity of an employee is an indicator of the performance of human resource management.

Productivity can be the retailer's sales or profit divided by the number of employees. This relationship can be calculated for a specific period and monthly or quarterly and monitored for improving Employee productivity which can be improved by increasing the sales generated by employee or by reducing the number of employee, or both. While employee productivity is directly related to the retailer's short-term profits, employee attitudes such as job satisfaction and commitment have important effects on customer satisfaction and subsequent long term performance of the retailer.

A failure to consider both long and short term objectives can result in the mismanagement of human resource and a result is bigger loss to the retailer.

5.7.5. Retail Organizational Structure

Retail organization structure differs according to the type of retailer and the size of the firm. A retailer with a single store will have a completely different structure than a national chain. Owner-manager of a single store may be the entire organization. As sales grow, the owner-manager hires employees. Coordinating and controlling employees in a small store is easier. The owner-manager simply assigns task to each employee and watches to see that these tasks are performed properly. Each employee must perform a wide range of activities, and the owner manager is responsible for all management tasks.

As sales increases, specialization in management may occur when the owner manager hires additional management employees. The owner manager continues to perform strategic management tasks. The store manager may be responsible for administrative task associated with receiving and shipping merchandise and managing employees.

In contrast to the management of a single store, retail chain management is very complex. Managers must supervise units that are geographically distant from each other. In most large retail firms the two senior executives, typically called the CEO and COO, work closely together in managing the firm. One is primarily responsible for the merchandise and marketing activities of the firm and the other is responsible for the stores, human resource, distribution, information systems and finance divisions.

Key activities like Merchandise, planning, marketing, finance, visual merchandising and human resources are managed from the corporate headquarters.

5.7.6. Manpower Planning

Manpower planning is the first step towards manpower management. It refers to the process of using available assets for the implementation of the business plans. It also involves the process of coordinating and controlling various activities in the organization. An effective manpower planning requires a careful assessment of the future needs of the organization. It involves the development of strategies to match the requirement of employees and availability of positions at a regional as well as a national level. Those in charge of manpower planning need to have a foresight about the business plans. They need to plan the activities for achieving business growth.

They are required to estimate the business needs of the organization and plan for the resources needed to realize the business goals.

The steps in manpower planning are;

- ◆ Step-1 - Design job description and the job requirement
- ◆ Step-2 - Predict manpower plans
- ◆ Step-3 - Find adequate sources of recruitment

CHECK YOUR PROGRESS

I. State whether the following statement are true or false.

- a. In retail, the idea of focusing on the best current customers should be seen as an on-going opportunity.
- b. Wandering Customers have specific need or desire in mind.
- c. Impulse customers are mainly window shoppers.
- d. Loyalty is not verified by the actions of the customer;

- ◆ Step-4 - Give boost to youngsters by appointment
- ◆ Step-5 - Best motivation for internal promotion
- ◆ Step-6 - Look after the expected losses due to retirement, transfer and other issues
- ◆ Step-7 - See for replacement due to accident, death, dismissals and promotion

5.7.7. Sourcing for employees

The sourcing for employee is going to play a very important role. Sources for potential candidates can be both Internal and External.

Internal Sources:

Internal sources are from within the organization such as:-

Transfer from one location to another

Suitable candidates are promoted internally to take up the vacancy.

The vacancy is advertised internally within the organization that interested candidates can apply for the same.

External Sources

In the External Sources candidates are taking into consideration the following subheads.

◆ **Press Advertisement:-** Advertisement in suitable news papers is one of the major means of attracting candidates for various positions. Even though this is an expensive method, it yields better results in attracting suitable candidates.

◆ **Educational Institutes:-** Many retailers have tie-ups with educational institutes for potential candidate. Placement interviews are conducted at the end of an academic term to select suitable candidates.

◆ **Placement Agencies:-** Retailers employ services of placement agencies to source for candidates, with they cannot source on its own. These placement agency supply manpower in large number especially for entry level positions. The placement agencies charge a fee, for their services. The fee is usually a percentage of the salary of the candidates/position sourced.

◆ **Employment exchange:-** Candidates from the employment exchange in sourced for entry level positions like sales persons, when the requirement is huge.

◆ **Labor Contranctors:-** Contractors supply unskilled manpower for retailers. Retailers use an unskilled labor in their housekeeping department.

◆ **Employee referrals:-** Most retailers have a employee referral policy. Employee referral policy compensates an employee monetary if he recommended a good candidate. Usually monetary benefit is paid to the employee after the referred and selected candidates completes six month in the organization.

Retailers' uses a combination of sources to fulfill their staffing requirements. Various

factors in the retail markets influence the demand and supply of retail staff. The retail

internal factors like Recruitment policy, human resources planning, size of the firm, cost of the recruitment and growth and expansion plans affect his recruitment strategy.

External factors like manpower supply and demand, Labor market, Image/ Goodwill of the retailer, Political/Social/legal environment, Unemployment rate, and Competitors activity also affects the retailer's recruitment plans and staff cost.

5.7.8. Careers in Retailing

Deciding a career is not for all time effortless, particularly for community who isn't sure accurately what they want to accomplish. On the other hand, for anybody who enjoys interacting regularly with the community, often times showing off the latest products or fashions, retail may be presently the respond.

The speedy increase of the retail sector and its profound infiltration in a variety of parts of the country within a tremendously little span of time has now been termed as the retail revolution by India media. In order to furnish to the manpower needs of the retail business different retail management courses are being launched by several business schools in India.

As the sector is booming in India, a career in retail sector undertakes good wages and increase prospective for the motivated youngsters. Retail management is associated with retailing business of departmental stores and shopping malls. There is a gigantic demand for the retail management professionals to route all merchandise shipments, to accomplish store sales and prosperity, administration of stores as well as communication with the clients to gratify them. Retailing offers a variety of career paths such as buying, store management, sales promotion and advertising, personnel, operations/ distribution, loss prevention and finance. Retailers typically want all of their staff to understand their customers and their merchandise.

5.7.9. Management in Retail store

A retail store is usually managed by a store manager of a business manager. Successful store manager must have an ability to lead and motivate employees. He/ She also needs to be sensitive to the customers need, making sure that merchandise is available and neatly displayed. Store Management involves all the discipline necessary to run a successful business; sales planning and goal setting, overall store image and merchandise presentation, budgets and expense control, customer service and sales supervision, personnel administration and development and community relationships.

◆ In a large retail store there will be numerous departments, classified for convenient operations like Apparels, Footwear, Home furnishings etc. Each of these departments will be headed by a department manager who reports to the store manager.

◆ The departmental operation involves stock management, Sales, Customer service, Visual Merchandising and Housekeeping. The Department manager is supported by a team of Supervisors, Sr. Customer Service persons, and Customer Service Persons.

e. A retail market segment is a group of customers whose needs are not satisfied by the same.

f. Market segmentation is dividing the market into groups of individual markets with similar wants.

g. In a multicultural country like India, careful study of the psychographics is a must before a product launch

- ◆ The Departments will be assisted by support functions both at stores and regional / head offices

5.7.10. Support Functions

- ◆ **Inventory:** The inventory plays a very crucial role in the operations as it keeps a check on the stocks in each department. Every Inward and Outward has to go through the inventory control. They perform “stock take” periodically. Perpetual (regular) inventory is conducted every month for all the brands of all the concepts. The inventory team takes care of all the documentations involved in movement to merchandise to the store and back to the warehouse.
- ◆ **Information Technology (I.T.):** The I.T. at the store is responsible for the infrastructure and software support at the store. They work along with the other function to manage data on stocks, sales, price, discounts, inventory, reports, prepare tax assessment.
- ◆ **Administration:** The Administration department is responsible to manage security, facilities and maintenance of the store, issue of Gift Vouchers. It is also responsible for managing customer grievances.
- ◆ **Cash and Billing:** The Cash and Billing department is responsible to facilitate the billing process. They maintain all records of sales transaction and report to the appropriate authority. The Cash and Billing department is headed by Chief Cashier and supported cashiers.
- ◆ **Marketing:** Marketing takes care of various promotional events in the store like Diwali promotions, Annual day celebrations and Promotions, Christmas promotions etc. Marketing supports all the departments in running their internal promotions by providing communication materials, taking care of visual branding, Institutional sales, out-store tie-ups.
- ◆ **Security:** The Security department is responsible for the safety and order of the store. The Security personnel conduct safety checks on employees and customers to avoid undesirable events. They conduct regular patrolling in the store to safe-guard the premises and assets, maintain the Parking areas, support in Valet Parking, Checking garments in Trial rooms, Maintaining staff and visitors movements, The security personnel reports to the Store Manager.
- ◆ **Maintenance:** The Maintenance department is responsible for maintenance of facilities at the store like lights, Air Conditioners, Generators, Escalators and Elevators etc. The Maintenance personnel reports to the Store Manager.
- ◆ **House-keeping:** They are in-charge of maintaining the basic cleanliness and hygiene standards of the Store. The Housekeeping personnel reports to the Store Manager.

II. Fill in with suitable options:

- Loyal _____ undergo better than soliciting their input and showing them how much you value it. [Vendor/Customer]
- _____ Customers are driven by a specific need. [Need-Based/ Impulse]
- Geographic information deals with the _____ location of the customer. [Physical/Virtual]

◆ **Human resource:** The HR function is responsible for the workforce management, like recruitment and induction, training and development, Compensation, maintaining personnel records, Career planning, performance management, Industrial and Employee relations. The Store HR manages the HR functions at the store.

◆ **Commercial:** The commercial department is responsible for financial control and audit of store and warehouse. The department takes care of the cost control, financial accounts of store, Payments like expenses incurred by the company, budgeting, over heads, budget vs. actual analysis, sales analysis, stocks inwards and outwards, and payments of non-trading items.

◆ **Warehouse:** A Warehouse is a commercial building for storage of goods. The warehouse stocks goods received from the Vendor/manufacturer and on requisition is sent to the Store. The warehouse operation largely involves inspection of stocks which arrive at the warehouse, Tagging and Bar coding, safe keeping and retrieval, dispatch to stores and customers, handling store returns.

5.7.11. Training of Employees

The expression training denotes to the achievement of knowledge, skills, and competencies as an upshot of the teaching of vocational or practical skills and knowledge that narrate to explicit practical competencies.

In the retail perspectives training is one of the imperative challenges as its impact is to reduce employee turnover and to increase productivity. High turnover reduces sales and increases cost. Sales are lost because inexperienced employee lacks the skill and knowledge about the company policies and merchandise to effectively interact with customers. Cost increase due to the need to continually recruit and train new employees. Retail Training caters to the retail industry and trains students for entry-level merchandising, sales and supervisory positions in the industry. Training plays an important role in decreasing employee turn-over by creating an atmosphere of mutual commitment in the firms. When a retailer demonstrates its commitment to employee development, employee responds by developing loyalty to the company. Training is particularly important in retail industry because more than 70 percent of retail employees have direct contact with the customer. They are responsible for helping customers satisfy their need and solve their problems. A well trained employee will be able to meet the customer's expectation and satisfy his needs adequately. Training is crucial as it provides the new employee with valuable information about the organization's culture, as well as information about company's product, services and policies. Training for current employees provides retail personnel with new information and innovative ways to get the task performed faster, more accurately, and with less stress.

Training for the retail staff is usually conducted in the following areas.

◆ **About the Organization:** Here the employee is informed about the organization History, its structure, the policies and procedures, rules objectives and expectations.

◆ **Product Knowledge:** Product knowledge is very important for a retail sales person. He/she needs to know the features, process, qualities and benefit of the product that they are selling. The sales person should also know the current market trends and the offerings of his competitor. Product knowledge many times is the key factor in the customer's decision making process.

◆ **Return and exchange process:** The sales person should be aware of the policies on return and exchange of a product in his store. This enables him to guide the customers properly in case they have an issue.

◆ **Customer Service:** To serve the customer efficiently, the sales staff should be aware of the various ways to ensure the customer is happy shopping at the store and will return in future. Most retailers attach a lot of importance to customer service programs. The retailer's customer service standards are communicated to the staff in such programs.

◆ **Personal Grooming:** The sales person in the face of the organization to the customer hence he should be well groomed at all time. This program will provide information to the staff regarding the stores grooming standards, Uniforms, shoes, personal hygiene.

5.7..12. Motivation – a key to employee Performance:

Performance is considered to be a function of ability and motivation, thus:

Ability in turn depends on education, experience and training and its improvement is a slow and long process. On the other hand motivation can be improved quickly. One of the critical tasks of human resource management is to motivate employees to work towards achieving the firm's goals and implementing its strategy.

Many people know motivation as the driving force behind an action. This is probably the simplest explanation about motivation. Motivation can be considered the state of having encouragement to do something. There is an old saying you can take a horse to the water but you cannot force it to drink; it will drink only if it's thirsty - so with people. They will do what they want to do or otherwise motivated to do. Whether it is to excel on the workshop floor or in the 'ivory tower' they must be motivated or driven to it, either by themselves or through external stimulus.

Retailers generally use three methods to motivate their employees;

- ◆ Written policies and supervision,
- ◆ Incentives
- ◆ Organizational culture

5.7.13. Policies and Supervision

Having a written policy on what a employee is supposed to do and have a supervisor enforce these policies forms the basis here. For example, retailer can have a policy on how customer has to be welcomed to the store. If employees use the written policies to make these decisions, their actions will be consistent with the retailer's strategy. It should also be noted that strict adherence to the policies can

reduce motivation. Employee will not have many opportunities to improve on his area of work. As a result he may find his job uninteresting.

5.7.14. Incentives

Incentives are another method of motivating which a retailer frequently uses. A buyer will be motivated to focus on the firm's profitability if they receive a bonus on the profitability of the merchandise they buy.

There are two type of incentives normally used. Commission and Bonus.

A commission is a compensation based on a fixed formula such as say 1% of Sales. For example, many retail sales persons receive a compensation on the basis of the value of sales he has made.

A bonus is additional compensation awarded periodically based on a evaluation of the employees performance. Example store manager receive a bonus based on the stores performance relative to budgeted sales and profit.

Incentives are very effective in motivating employee to perform the activity on which the incentive is based. But incentives may cause employees to ignore other activities. For example sales persons whose compensation is based entirely on their sales may be reluctant to spend time say merchandising.

5.7.15. Organizational Culture

The final method for motivating and employee is to develop a strong organizational culture. An organizational culture is the set of values, traditions and customs in a firm that guides the employee behavior. The guidelines are not written in a set of policy documents but they are traditions that are passed along by experienced employee to new employee. Many retail firms have strong organizational culture that gives employee a sense of what they are supposed to do on their job. Wal-Mart organization culture focuses on reducing costs so the firm can provide low price to its customer.

Organizational culture are developed and maintained through stories and symbols. Values in an organization culture are often explained to new employees and reinforces to present employees through stories.

5.7.16. Evaluation of the employees Performance

The majority of business has a prescribed performance appraisal system in which employee job performance is analyzed on a customary root, typically once a year. A good performance appraisal system can to a great extent promote an organization. It facilitate direct employee activities in the direction of Organizational goals by letting employees know what is predictable of them, and it yields information for making employment judgments, such as those regarding pay raises, promotions, and discharges.

5.7.16.1. Performance Appraisal

Performance appraisal, also known as employee appraisal, is a method by which the job performance of an employee is evaluated. Performance appraisal is generally

d. A consumer's lifestyle often gives _____ the more accurate and detailed information.
[Retailer/Customer]

e. People in the upper-income category, are more likely to buy _____ items.
[Luxury/cheaper]

done in terms of quality of the work done, Quantity of the work done, Cost incurred and the time taken for the work. Performance appraisal is a part of the career development program in an organization. Performance appraisals are regular reviews of employee performance within organization.

Generally, the aims of a performance appraisal are to:

A common approach to assessing performance is to use a numerical or scalar rating system whereby managers are asked to score an individual against a number of objectives or attributes the basis for performance evaluation is the goals that have been set. Goals which are specific, tied to rewards and voluntarily committed to by employee, work as a motivator to perform well. Performance can be enhanced through measures taken to clarify and establish work goals.

Good performance is recognized and poor performance is also be identified and addressed with constructive criticism. An important part of the goals is the measurement and the comparison of the employee's actual performance with the standards set. Ideally, when employees Recognize employee training needs.

5.7.17. Compensation

One key factor attracting and retaining employee is the method used to compensate and otherwise reward them. Employee compensation refers to both the payment of money for services performed and any benefit the employees is to receive from the retailer, such as health insurance, life insurance, paid holidays, car loan etc. Whatever method is chosen to reward the employee for their work, the compensation plan should be fair to all employees as well as to the retail organization. Following is the description of various compensation plans.

- ◆ **Hourly wages:** - The retailer pay's the employee a fixed amount of money depending on the number of hours he has worked.
- ◆ **Straight Salary:-** This is a fixed amount on a specified period of time at work. The payments are made monthly in most cases.
- ◆ **Straight commission:-** A commission is paid on the amount of sales an employee generates, in quantity or value. Since this method compensates the employee bases on their own performance, this is preferred by employees who are hard working and are highly extrinsically motivated.
- ◆ **Salary plus Commission:-** In addition to a fixed salary the employee also get an commission depending on the sales he has generated. In this method the employee is guarantee a minimum salary and an addition commission depending on his performance.
- ◆ **Salary plus Bonus.** Many executives and senior managers prefer a system that gives them a salary but also provides a bonus for extraordinary work. This system allows employee to earn a good living while also having the opportunity to work harder and earn more money as bonus.

In addition to the above plans, retailers often grant the employees with fringe benefits. Some of the major fringe benefits are

- ◆ **Insurance:** Health and Life insurance is provided under this scheme. The insurance may be for the employee only or for the employees' immediate family.
- ◆ **Recreational facilities:** Many retailers offer employee facility to relax or work out. This may come in the form of health club membership or an exercise room.
- ◆ **Employee Discount:** Employees are often awarded discount at the retail outlet for products they purchase from the retailer.
- ◆ **Profit Sharing:** Profit sharing programs allow employees to share in the retailers overall profits. Employee stock option is also another method of sharing the profits.

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5.8. CHALLENGES IN RETAILING IN INDIA

5.8.1. Introduction

In India, the development of consumerism is a rather unique phenomenon. In direct address with China, whose growth has largely been investment driven, the economic development in India has been driven by consumption factors. Ever since 1992, with the economy was unshackled, there has been a rapid growth of Indian middle class. The new generation of middle class who are largely professionals engaged in service sectors, are unlike their parents who tend to save for rainy days. This new class is impetus and wants things here and now; and therefore, riding a never ending shopping spree.

According to a study by McKinsey Global Institute, India is likely to join the premier league of the world's consumer markets by 2025, leading to improvements on its current 12th position to 5th position. History shows invaders came from various foreign lands in the past in search of riches, as India was then known as „gold bird“. From last few decades of economic growth, the new invaders which are the Organized Retailers of the world are coming to India to have a share of Indians' wallet. This is reflected in the great Indian shopping bazaar where customers are lapping items such as “white goods”, mobile phones, notebooks, fast food, luxury goods to name a few. In fact, the list is never ending. This metamorphosis of India is also depicted by growth numbers in sectors such as Aviation, Tourism, Hospitality, Retail, FMCG (Fast Moving Consumer Goods) and Telecommunication. This has given Organized Retail a clocking growth rate of about 30 per cent per annum. One of the major drivers of this is “the FMCG sector”, which is likely to triple the size from \$11.6 billion in 2003 to \$33.4 billion by 2015.

The consumption, by the Indian middle class companies, are carrying out with low prices of products, economical tariffs, low interest financing option and many other marketing gimmicks to net more and more buyers. A great example of this is the predominance of low cost airlines which has revolutionised the air travel segment. (In between 2006-08, we saw a tremendous growth ranging around 20 per cent in airline passengers) Similarly, by lowering of mobile telephone tariffs, the mobile penetration in India has been phenomenal.

Currently, Indian mobile phone subscriber base is around 200 million, with about 5 million subscribers added every month. Currently, the demographics of Indian population is heavily biased, as over 900 million people are below the age bracket of 45 years. Such a young and vibrant population with paying capacity leads to a great retail opportunity. It is the one force that has taken India to the big league, making it a potential economic powerhouse. As a result of economic growth, household incomes have risen at a fast pace.

As per an NCAER study “The Great Indian Middle Class”, in 1995-96, barely three per cent of population used to earn above \$4,877 (Rs. 2 lakh) per annum. In 2002-3, that proportion rose to six per cent (or roughly 60 million people) and today, it is estimated to be around 100 million. By 2011, this number should rise to around 150 million, with roughly 10 million earning over \$24,384 (Rs. 10 lakh) and more. “India's continued high growth rate, since 2003, represents a structural increase rather than simply a cyclical upturn,” says a recent Global Economics Paper, brought out by Goldman Sachs India.

The recent growth spurt is achieved primarily through a surge in productivity and is sustainable. As per this report, India's contribution to world growth will be “high and increasing.” India's GDP (in dollar terms) could surpass that of the US before 2050, making it the second largest economy after China, it says. The change in consumer mindsets

in the post-liberalization era has been drastic. In the pre-liberalization era, most Indian households saved for a rainy day. Today, the Indian consumer thrives on loans and credit cards. With a job scene that is booming, a host of avenues are open to even college students.

Retail chains, BPOs, KPOs, mobile phone companies, data processing firms have all contributed to the job explosion. This has a multiplier effect, in the sense as new jobs get created, it leads to growth of disposable income, which in turn fuels the growth of retail markets. With the growth of India, there has been an upsurge in growing consumerism.

5.8.2. Challenges in Retail Industry:

It is important for all of us to look into certain aspects which would be important to drive retail momentum to enable its sustained development. One of the biggest stumbling blocks for Organized Retail is competition from the unorganized sector in India. Unorganised retail is largely owner operated with low cost structures, and overheads and thereby, results in much lower labour costs, avoidance of taxes to a large extent. On the other side, Indian consumers since generations have great familiarity with these formats and use to their advantages by haggling for bargain and seeking monthly credit terms. One of the largest impediments to Organized Retailing is higher labour costs, better and larger physical infrastructure, employee benefits and government taxes to pay. This give rise to much larger expenses than the unorganized sector. Further, the availability and costs of a good retail space is a major area of concern. However, with private sector Real Estate developers built large malls in tier I and tier II towns, availability of space has improved but the rentals are high. Another major area of concern for Organized Retailing is the properly trained sales personals and skill upgradation of the existing personals. Though many private and some government sector retail training institutions have come into being to cater to the needs of capacity development in this sector. Also, development of supply chain management and organization and management of mass procurement activities and proper inventory management are areas where Organized Retailer needs both private and public sector intervention. Even though, India is on the investment map of large global retailers, some of them still feel that Indian regulatory framework and policies regarding foreign direct investments in retail needs clarification before they embark on major investment in this country. There are other issues of brand protection and anti-piracy of designs that also need to be addressed at IPR protection level. Despite these issues and impediments, the organized retail momentum is growing. The Government must enumerate clear policies and regulatory framework to ensure it s sustained growth.

5.8.2.1. Fear of Competition:

Another interesting aspect is that, we as a nation are, always greatly scared of competition. Perhaps, it is our socialistic mindset that performs a protected regime. Competition always requires a high order performance which most of us rather

under deliver. Yet another interesting aspect of competition is that it changes the balance of power wielded certain entrenched groups. For them, it is their toppling off from perch of comfort and power. In retail scenario, these can be middlemen, aggregators or some old established trading houses. Further, the irony is that we perhaps have the legacy of long British Rule; do not like transparency. Obviously, if the systems are not clear and mandatory discretion not observed, it results to undue profits. An interesting example of this is our PDS (Public Distribution System) which also got shaken by organized retail and some well entrenched minor bureaucracy might get impacted. Another idio-synergy is as nation, we always say that our system do not work; but we always try to bent the rules to achieve benefits for ourselves. Therefore, the systemic working of organized corporate retail makes us jittery.

5.8.2.2. Labour and infrastructure Costs:

One of the largest impediments to Organized Retailing is higher labour costs, better and larger physical infrastructure, employee benefits and government taxes to pay. This give rise to much larger expenses than the unorganized sector. Further, the availability and costs of a good retail space is a major area of concern. However, with private sector Real Estate developers built large malls in tier I and tier II towns, availability of space has improved but the rentals are high.

Another major area of concern for Organized Retailing is the properly trained sales personals and skill upgradation of the existing personals. Though many private and some government sector retail training institutions have come into being to cater to the needs of capacity development in

this sector.

5.8.2.3. Supply chain Management:

Also, development of supply chain management and organization and management of mass procurement activities and proper inventory management are areas where Organized Retailer needs both private and public sector intervention. Even though, India is on the investment map of large global retailers, some of them still feel that Indian regulatory framework and policies regarding foreign direct investments in retail needs clarification before they embark on major investment in this country. There are other issues of brand protection and anti-piracy of designs that also need to be addressed at IPR protection level. Despite these issues and impediments, the organized retail momentum is growing. The Government must enumerate clear policies and regulatory framework to ensure its sustained growth.

5.9 SUMMARY

The retention of the customer is integral to the existence of the retailer. The ability to understand the customer is the key to developing a successful retail strategy. A key factor in understanding the customer is identifying the target customers for the product or service i.e. the target segment, and the demographics of that segment, their needs and buying behavior.

Human resource is the pivot around which the complete retailing industry rotates. Being a typical service based industry human resources play a critical role. There are various factors which influence human resource management aspects in retail. These include scope of operations, nature of merchandise and type of organisation. Human resource requirements vary for large retail stores vis-à-vis small retail stores. Human resource needs in retailing also vary as per the tasks needed to be accomplished. Tasks can be broadly divided into strategic, merchandising, group management and administrative / legal. For proper manpower planning organisational charts are essentially needed. There are various kinds of organisational charts as per the need of the retail organisation.

5.10 ANSWER TO CHECK YOUR PROGRESS

I. True or False Ans:

- (a) True (b) False (c) True (d) False (e) False
(f) True (g) True

II. Fill up Ans:

- (a) Customer (b) Need-Based (c) Physical (d) Retailer (e) Luxury

5.11 QUESTIONS / ANSWERS

1. Explain how you will assess human resource requirements of a retail organisation.
2. What should be the profile of person working in the:
Merchandising department,
Warehousing department,
Sales department,
Administrative Department.
Explain why do you think so?
3. How many types of customers exist? Explain each of them?
4. Explain the different stages of retail customer decision making process.
5. What are different sources of recruiting retail sales force?
6. How will you assess the productivity of retail work force?
7. Elaborate on retail consumer profiles.

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